Supreme Court, U.S.
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In the Supreme Court of the United States

ESTATE OF JAMES S. BISHOP,
Petitioner,

v.

EQUINOX INTERNATIONAL CORP.,
Respondent.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE TENTH CIRCUIT

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED FOR REVIEW

1. Did the United States Court of Appeals for the Tenth Circuit commit reversible error in affirming the District Court's Judgment on remand, that the Trademark owner was not entitled to the infringer's profits where he had failed to prove a loss of sales, particularly where the Tenth Circuit, in its initial reversal, stated that the District Court was in error when it held that a finding of actual damage was a necessary prerequisite to an award of the infringer's profits?

2. Did the United States Court of Appeals for the Tenth Circuit commit reversible error in affirming the District Court's Judgment on remand, where the District Court circumvented the Circuit Court's earlier reversal by arriving at the same result using meaningless and unsupported "findings" and by following rationales of other Circuit Courts of Appeals whose decisions are in conflict with the established law of the Tenth Circuit?

3. Did the United States Court of Appeals for the Tenth Circuit commit reversible error in affirming the District Court's Judgment on remand, where the Tenth Circuit clearly pointed out in its initial reversal that the award of the infringer's profits in the Tenth Circuit was based on the theory of unjust enrichment whereas the award of profits in some of its sister Circuits (particularly, the Second Circuit) was based on a theory of deterrence; nonetheless the District Court on remand denied the award of the infringer's profits on the theory of deterrence?

4. Does an individual trademark owner, whose use of his own registered trademark is modest, have a right to recover an infringer's profits where the infringer is a large company whose sales, using the identical mark for the same goods, are substantial, particularly where the infringement by the large company was held to be willful, and where the actions of the company were further characterized as being "malicious, fraudulent, deliberate or willful"?

PARTIES TO THE PROCEEDINGS

Petitioner:

Estate of James S. Bishop, formerly James S. Bishop d/b/a Essence of Life

Respondent

Equinox International Corp., a Nevada corporation

TABLE OF CONTENTS

QUESTIONS PRESENTED FOR REVIEW i

PARTIES TO THE PROCEEDINGS iii

TABLE OF CONTENTS iv

TABLE OF AUTHORITIES vi

OPINIONS BELOW 1

JURISDICTION 1

STATUTORY PROVISIONS INVOLVED 2

STATEMENT OF THE CASE 2

REASONS FOR GRANTING THE WRIT 8

I. There is a Conflict Among the Circuits 8

II. The Question Presented Is Important . . . 9

III. The Decision of the Court of Appeals is Erroneous 17

The Dissent 20

CONCLUSION 21

APPENDIX

APPENDIX A 1a
ORDER OF TENTH CIRCUIT 8/17/01
DENYING PETITION FOR REHEARING

APPENDIX B 3a
TENTH CIRCUIT DECISION 7/20/01
ORDER APPEALED FROM *(BISHOP II)*

APPENDIX C 27a
ORDER OF JUDGE ELLISON 9/22/99
ON REMAND

APPENDIX D 35a
TENTH CIRCUIT DECISION 9/4/98 ON
FIRST APPEAL (*BISHOP I*)

APPENDIX E 47a
ORIGINAL FINDINGS AND
CONCLUSIONS ENTERED 7/21/97

APPENDIX F 59a
STATUTORY AUTHORITY IN EFFECT AT
TIME OF FILING SUIT

APPENDIX G 61a
PAGES FROM TRANSCRIPT OF
ORIGINAL HEARING

TABLE OF AUTHORITIES

CASES **PAGE**

Bishop v. Equinox International Corp.,
154 F3d 1220 (10th Cir. 1998)
(*Bishop I*) 1, 5, 6, 7, 8, 20

Blue Bell Co. v. Frontier Refining Co.,
213 F.2d 354 (10th Cir. 1954) . 4, 9, 10, 14, 15, 18

Burger King Corp. v. Mason,
855 F.2d 779 (11th Cir. 1988) 9

Champion Spark Plug Co. v. Sanders ,
331 U.S. 125, 91 L.Ed. 1386,
67 S.Ct. 1136 (1947) 4, 12, 14, 15

George Basch Co. v. Blue Coral, Inc.,
968 F.2d 1532 (2nd Cir. 1992) 9

Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.,
240 U.S. 251, 60 L.Ed. 629,
36 S.Ct. 269 (1916)
(the *American Girl* case) . . . 9, 10, 11, 12, 14, 17

International Star Class Yacht Racing Ass'n v.
Tommy Hilfiger, U.S.A. Inc.,
80 F.3d 749 (2nd Cir. 1996) ("*ISCYRA I*") 15

International Star Class Yacht Racing Ass'n v.
Tommy *Hilfiger, U.S.A. Inc.*,
146 F.3d 66 (2nd Cir. 1996) ("*ISCYRA II*") 17

International Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A. Inc., 205 F.3d 1323 (2nd Cir. 1996) ("*ISCYRA III*") 17

L. P. Larson, Jr. Co. v. Wm. Wrigley, Jr. Co., 277 U.S. 97, 72 L.Ed. 800, 48 S.Ct. 4499 (1927) 11, 12

Lindy Pen Company v. *Bic Pen Corp.*, 952 F.2d 1400 (9th Cir. 1993) 20

Mishawaka Mfg. Co. v. S.S. Kresge Co., 316 U.S. 203, 86 L.Ed. 1381, 62 S.Ct. 1228 (1942) 9, 11, 12, 14, 15, 17

Playboy *Enterprises, Inc. v. Baccarat Clothing Co. Inc.*, 692 F.2d 1272 (9th Cir. 1982) 9

STATUTES

15 U.S.C. § 1117 (a) 2

15 U.S.C. §1117 4

28 U.S.C. §1254 (1) 1

Trademark Act of 1905 2

SUPREME COURT RULES

Rule 10 21

TREATISES

McCarthy On Trademarks And Unfair Competition 14

OTHER AUTHORITY

S. Rep No. 1333, 79th Cong., 2d Sess. 1-2 (1946) 10

PETITION FOR WRIT OF CERTIORARI

Petitioner, the Estate of James S. Bishop, respectfully petitions for a writ of certiorari to review the judgment and opinion of the United States Court of Appeals for the Tenth Circuit entered July 20, 2001.

OPINIONS BELOW

The opinion of the Tenth Circuit Court of Appeals (*Bishop II*) entered July 20, 2001 is reproduced in App. B at 1a-26a.

The Order of the District Court entered on September 22, 1999 (on remand) is reproduced in App. C at 27a-34a.

The opinion of the Tenth Circuit Court of Appeals in *Bishop v. Equinox International Corp,*, 154 F3d 1220 (10th Cir. 1998) (*Bishop I*) entered September 4, 1998 is reproduced in App. D at 35a-46a.

The original Findings of Fact and Conclusion of Law of July 21, 1997 are reproduced in App. E at 47a-58a.

JURISDICTION

The opinion of the United States Court of Appeals for the Tenth Circuit was entered on July 20, 2001. A timely petition for rehearing and suggestion for rehearing *en banc* was denied by that court on August 17, 2001. This Court has jurisdiction under 28 U.S.C. §1254 (1).

STATUTORY PROVISIONS INVOLVED

The provisions of the Lanham Act of 1946, 15 U.S.C. § 1117 (a) relevant to this petition are reproduced in App. F at 59a-60a along with the predecessor statute, the Trademark Act of February 20, 1905, Section 19.

STATEMENT OF THE CASE

References made herein to the Appendices attached hereto shall be designated by the abbreviation "App.", and the appropriate page number(s). References to the original Findings of Fact and Conclusions of Law of July 22, 1997, found in App. E 47a-58a shall be designated by the word "Finding" followed by the appropriate number or "Conclusion" followed by the appropriate number.

On or about October 1, 1985, Mr. James S. Bishop, d/b/a "Essence of Life,"(whose estate is the Petitioner herein) began a business of making and selling a dietary supplement to which he affixed the trademark "Essence of Life." Bishop applied for and obtained a Certificate of Federal Trademark Registration, No. 1,504,568, on September 20, 1988. During the calendar year 1994, Bishop filed a "Section 8 and 15" Affidavit of Continuing Use; the acceptance of this affidavit by the Patent and Trademark Office rendered Bishop's trademark incontestable. (Findings of Fact Nos. 5 to 7, Conclusion of Law No.4)

In January of 1995, Bishop became aware that the Respondent, Equinox International Corporation was using his trademark "Essence of Life" also for a dietary supplement. Bishop had his attorney notify Equinox by letter dated February 22, 1995, that Equinox was infringing Bishop's trademark and called upon Equinox to cease and desist in

further infringement. The notice of infringement letter was ultimately answered by an attorney for Equinox on June 1, 1995, advising Mr. Bishop's attorney that Equinox would replace the name "Essence of Life." (Findings of Fact Nos. 15 to 17)

In point of fact, Equinox did not honor its cease and desist commitment but continued to use the infringing mark. (Finding of Fact No. 18)

When Bishop discovered that Equinox was still using his trademark despite its promises not to do so, he filed his original lawsuit on January 3, 1996.

In March of 1997, a non-jury trial was held before Senior Judge James O. Ellison. Following the trial, the District Court on July 22, 1997, entered Findings of Fact and Conclusions of Law, finding and holding that Equinox' use of "Essence of Life" did create a likelihood of confusion since both marks use identical language to sell a nearly identical product (Finding of Fact No. 14); that Defendant's attorney advised Bishop that Equinox would cease and desist from the use of the trademark "Essence of Life" (Finding of Fact No. 17); that the Defendant did not honor its cease and desist commitment, but in fact continued to use the trademark "Essence of Life" (Finding of Fact No. 18); that Defendant's failure to honor its attorneys' cease and desist commitment constituted a trademark infringement which was deliberate or willful (Finding of Fact No. 19); that a certain report received by the investigator of the Defendant was not sufficient to justify a theory of abandonment but was instead sufficient to persuade Defendant of the economic weakness of the Plaintiff (Finding of Fact No. 20); and that this case was an exceptional one which entitled the Plaintiff to Attorneys' Fees (Finding of Fact No. 21). The District Court further

characterized the actions of the Defendant as "malicious," "deliberate" or "willful." (Conclusion No.11) The District Court enjoined Equinox from further use of the trademark "Essence of Life," but allowed the Defendant to market its available supply of articles marked with the trademark "Essence of Life Liquid Mineral Complex." (Conclusion of Law No. 12)

At this point, the District Court had made more than sufficient findings to justify an award of Equinox' profits to Bishop under the provisions of Title 15 U.S.C. §1117. However, the District Court refused to award the Plaintiff any portion of the Defendant's profits on the theory that the Plaintiff must first establish actual damage before Plaintiff is entitled to Defendant's profits (which was clearly not the law as pronounced by the Supreme Court in *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.* (1916) 240 U.S. 251, 60 L.Ed. 629, 36 S.Ct. 269 [1] and the Tenth Circuit Court of Appeals in ***Blue Bell Co. v. Frontier Refining Co.,*** 213 F.2d 354 (10th Cir. 1954).

Bishop therefore duly appealed to the Tenth Circuit Court of Appeals for the first time. The Tenth Circuit ruled that the District Court was in error when it held that a finding of actual damage was a necessary prerequisite to an award of profits. The decision was rendered on September 4, 1998, reversing and remanding so that the District Court, consistent with this opinion, might fashion a remedy that would "satisfy the equities of the case".

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[1] The last time the Supreme Court considered the question of the award of an infringer's profits to a trademark owner was in the case of *Champion Spark Plug Co. v. Sanders* , 331 U.S. 125, 91 L.Ed. 1386, 67 S.Ct. 1136 (1947) over 54 years ago.

The Decision of the Court of Appeals (*Bishop I*) is reported at 154 F.3d 1220 (10th Cir. 1998). (Copy attached at App. D, 35a-46a)

Following remand, James S. Bishop died on May 6, 1999 and the Estate of James S. Bishop was substituted for the deceased Bishop, without objection, in the proceedings before the District Court. Several months later, the District Court entered an Order on September 22, 1999 denying Bishop (or the successor Estate) any profits. (App. C 27a-34a) The essence of the Judge's opinion on remand appears in the lower central paragraph on page 31a as follows:

> In considering all of the equities in this case, the relative weakness of the mark, the lack of consumer confusion or deception, and that Equinox did not benefit from Bishop's mark, the court rejects, as it did in the original finding, the notion that prevention of unjust enrichment is a sufficient rationale for awarding profits. In particular, the Court found that Defendant did not benefit from Plaintiff's "relatively obscure" mark. Further, assuming that profits can be awarded in this circuit as a deterrence to willful infringement, the Court finds that when weighing the equities, particularly that bad faith was found in Defendant's failure to honor the cease and desist agreement, the award of attorney fees is a sufficient deterrent under these circumstances.

The District Court justifies this position by the conclusion appearing on page 5 (App. C, 33a) as follows:

> On remand, in consideration of the Court of Appeals' ruling regarding an award of profits in absence of a showing of actual damages, the Court deletes Conclusion of Law No. 10, and reaffirms its Findings of Fact and Conclusions of Law in all other respects, including the conclusion that an award of profits is not appropriate under these circumstances.

The above reaffirmation of all Findings and all Conclusions save No. 10 means that the District Court reaffirms Conclusion of Law No. 7 which clearly states (App. E 56a) that the "Plaintiff's claim for damage fails because there has been no ... proof of any lost sales." Isn't that the same as "actual damage" in Conclusion of Law No 10 (App. E 57a) which the Tenth Circuit specifically overruled in *Bishop I*? Since the Tenth Circuit affirmed the District Court in *Bishop II*, this necessarily means that the Tenth Circuit agrees that Bishop has to show loss of sales which is inconsistent with the ruling in *Bishop I* that the trademark owner need not show actual damage. On this point, the Tenth Circuit stated:

> Because the Estate never maintained an active business presence of substantial magnitude or profitability related to the "Essence of Life" trademark, never lost any sales or customer goodwill related to its "Essence of Life" products and never encountered any customer confusion due to Equinox's infringement of its trademark, it is clear that the Estate suffered no actual injuries related to Equinox's infringing use of the mark. (Emphasis added)

The message that the Tenth Circuit is delivering here

is that the trademark owner can't be small compared to the infringer and that proof of loss of sales and actual injuries is required, contrary to the decision in *Bishop I* which is bottomed on the theory that proof of actual damage is not required and that Judge Ellison was in error for saying that it was.

Breaking down the central paragraph on page 4 of the Order (App. C 31a) into its constituent parts, the District Court considered the following "equities" in the case:

(A) The relative weakness of the mark;

(B) The lack of consumer confusion or deception;

(C) That Equinox did not benefit from Bishop's mark, i.e., Plaintiff's "relatively obscure" mark; and

(D) Although, bad-faith was found in Defendant's failure to honor the cease and desist agreement, the award for Attorney Fees is considered a sufficient *deterrent* under these circumstances.

Following the Decision of the District Court of September 22, 1999, on remand, the petitioner appealed to the Tenth Circuit Court of Appeals for the second time. The decision, to which this Petition is addressed, is attached hereto as App. B, Order of July 20, 2001 (*Bishop II*).

The basis for the second appeal was that the District Court abused its discretion on remand. That is, in view of all of the Findings made in the original decision of July 21, 1997 (App. E) there was no basis for refusing to award the infringer's profits to Bishop under the recognized Tenth Circuit theory of recovery based upon unjust enrichment

(*Bishop I*, App. D 41a).

In the Opinion of July 20, 2001, on the second appeal (*Bishop II*, App. B) the Tenth Circuit affirmed Judge Ellison's holding that the mark was "weak" and "obscure" without commenting on Bishop's arguments that there was no evidence to support either characterization, or that the trial record doesn't even reveal the use of the term "obscure."

The Tenth Circuit majority in *Bishop II* also affirmed Judge Ellison's holding that there was a lack of consumer confusion, but apparently ignored Bishop's argument that Finding No. 14 (App. E 52a) clearly stated:

> the fact that Plaintiff's mineral electrolyte solution in liquid and capsule form designated "Essence of Life" is positioned against a liquid mineral complex which Defendant calls "Essence of Life Liquid Mineral Complex" does create a likelihood of confusion since both marks use identical language to sell a nearly identical product.

REASONS FOR GRANTING THE WRIT

I. There is a Conflict Among the Circuits

The Tenth Circuit Court of Appeals, in *Bishop I*, 154 F.3d 1220 (10th Cir.1998) admitted that there was a conflict in the circuits. At 154 F.3d 1222, 1223 of the Decision (App D 40a-41a) Judge Lucero stated:

> There are two widely recognized rationales for awarding profits to a Plaintiff who cannot demonstrate that he or she has suffered

> damages in consequence of the infringement: Preventing unjust enrichment and deterring willful infringement. (Emphasis added)

The Tenth Circuit went on to state that the theory of unjust enrichment has long been a rule in this Circuit, citing *Blue Bell Co. v. Frontier Refining Co.*, 213 F.2d 354 (10th Cir. 1954). (App. D 41a)

The Tenth Circuit further noted that several of our sister Circuits have recognized that an award of profits may be proper, absent a showing of actual damage, as a deterrent to willful infringement, citing the Second Circuit case of *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532 (2nd Cir. 1992), an Eleventh Circuit case in *Burger King Corp. v. Mason*, 855 F.2d 779 (11th Cir. 1988), and a Ninth Circuit case, *Playboy Enterprises, Inc. v. Baccarat Clothing Co. Inc.*, 692 F.2d 1272 (9th Cir. 1982). (App. D 42a)

It is submitted that the Circuits which employ the deterrent theory add an unnecessary limitation on the Supreme Court cases of *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.* (*supra*) (the *American Girl* case) and *Mishawaka Mfg. Co. v. S.S. Kresge Co.* (1942) 316 U.S. 203, 86 L.Ed. 1381, 62 S.Ct. 122, which merely required a showing of infringement to justify an award of the Infringer's profits.

II. The Question Presented Is Important

Title 15 Section 1117(a) is quoted, in pertinent part as follows:

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under

> section 1125(a) of this title, shall have been established in any civil action arising under this chapter, the Plaintiff shall be entitled... subject to the principles of equity, to recover (1) Defendant's profits, (2) any damages sustained by the Plaintiff, and (3) costs of the action... In assessing profits, the Plaintiff shall be required to prove Defendant's sales only; Defendant must prove all elements of costs or deduction claimed.... (Emphasis added)

The legislative history of the Lanham Act expressly states the purpose of the Act:

> "This bill, as any other proper legislation on trademarks, has as its object the protection of trademark, securing to the owner the good will of his business and protecting the public against spurious and falsely marked goods. The matter has been approached with the view of protecting trademarks and *making infringement and piracy unprofitable*." S. Rep No. 1333, 79th Cong., 2d Sess. 1-2 (1946) (Emphasis added)

Under the Lanham Act, particularly Title 15 Section 1117(a), a trademark owner can recover the profits of an infringer without the need to prove any damages. This is consistent with the Supreme Court decision in *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co. (supra)* and the Tenth Circuit Case of *Blue Bell v. Frontier Refining Co.*, 213 F.2d 354 (*Supra*), both of which stand for the proposition that the trademark owner is entitled to the profits of the infringer under the doctrine of unjust enrichment upon establishing infringement.

In the case of *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*,(*supra*), the Plaintiff, Hamilton-Brown Shoe Co. sold shoes under the trademark "American Girl." The Defendant sold shoes under the label "American Lady". The latter was considered to be an infringement of the Plaintiff's trademark. The Supreme Court held at 240 U.S. 259:

> Having reached the conclusion that complainant is entitled to the use of the words "The American Girl" as a trademark, it results that it is entitled to the profits acquired by Defendant from the manifestly infringing sales under the label "American Lady,"-- at least to the extent that such profits are awarded in the decree under review. The right to use a trademark is recognized as a kind of property, of which the owner is entitled to the exclusive enjoyment to the extent that it has been actually used. *McLean v. Fleming*, 96 U.S. 245, 252, 24 L. Ed. 828, 831; *Manhattan Medicine Co. v. Wood*, 108 U.S. 218, 224, 27 L. Ed. 706, 708, 2 Sup. Ct. Rep. 436. The infringer is required *in equity* to account for and yield up his gains to the true owner, upon a principle analogous to that which charges a trustee with the profits acquired by wrongful use of the property of the *cestui que trust*. (Emphasis added)

Following the *American Girl* case (1916), the Supreme Court of the United States ruled on the question of the infringer's profits three more times, in the cases of *L. P. Larson, Jr. Co. v. Wm. Wrigley, Jr. Co.*, (1927) 277 U.S. 97, 72 L.Ed. 800, 48 S.Ct. 449; *Mishawaka Mfg. Co. v. S.S. Kresge Co.* (1942) 316 U.S. 203, 86 L.Ed. 1381, 62 S.Ct.

122; and *Champion Spark Plug Co. v. Sanders* (*supra*).

In the *Larson* case, the Supreme Court followed the *Hamilton-Brown* approach but added a minor caveat; i.e., the infringer would not be allowed to deduct Federal Income Taxes in arriving at his net profit.

In the *Mishawaka* case, the Supreme Court answered the argument of the Respondent that the trademark owner was receiving a windfall as follows:

> "There may well be a windfall to the trademark owner where it is impossible to isolate the profits which are attributable to the use of the infringing mark. But to hold otherwise would give the windfall to the wrongdoer."

In the *Champion Spark Plug* case the petitioner, Champion Spark Plug Co., was the original manufacturer of spark plugs which it sold under the trade mark "Champion." The respondent, Peter Sanders, operated a company which repaired used "Champion" spark plugs and resold them while retaining the word "Champion" on the repaired and reconditioned plugs.

The District Court below found that Sanders had infringed Champion's trademark but denied an accounting.

The Circuit Court of Appeals for the Second Circuit affirmed the finding of infringement and likewise denied the accounting. However, it allowed Sanders to use the trademark "Champion" on the reconditioned plugs.

The Supreme Court affirmed the decision of the

Second Circuit and stated at 331 U. S. 129:

> The controversy here relates to the adequacy of the relief granted, particularly the refusal of the Circuit Court of Appeals to require respondents to remove the word "Champion" from the repaired or reconditioned plugs which they resell.
>
> We put to one side the case of a manufacturer or distributor who markets new or used spark plugs of one make under the trade mark of another. (Citing cases). Equity then steps in to prohibit Defendants' use of the mark which symbolizes Plaintiffs' good will and "stakes the reputation of the Plaintiff upon the character of the goods". (Citing cases)
>
> We are dealing here with secondhand goods. The spark plugs, though used, are nevertheless Champion plugs and not those of another make.
>
> ***
>
> The decree as shaped by the Circuit Court of Appeals is fashioned to serve the requirements of full disclosure. We cannot say that of the alternatives available the ones it chose are inadequate for the purpose. We are mindful of the fact that this case, unlike *Prestonettes, Inc. v. Coty* (US), *supra*, involves unfair competition as well as trademark infringement; and that where unfair competition is established any doubts as to the adequacy of the relief are generally resolved against the transgressor. (Citing cases)
> But there was here no showing of fraud or

palming off.

***

> In view of these various circumstances it seems to us that the injunction will satisfy the equities of the case.

The *Champion Spark Plug* case (*supra*) refers to the *Mishawaka* case (*supra*) with approval.

Following the decision in 1947 in the *Champion Spark Plug* case, some of the Federal District Courts apparently felt that a showing of infringement was not enough to obtain the infringer's profits. As can be seen from the cases discussed herein, the trademark owner has had to prove, variously, willfulness, bad faith, actual confusion, intent to confuse and the need for deterrence. The situation has become so confusing among the circuits, that Thomas J. McCarthy, the author of the recognized treatise *McCarthy On Trademarks And Unfair Competition*, stated at page 30-104, Volume 5 of the Fourth Edition:

> To put it bluntly, courts are not willing to grant an accounting of profits unless the judge "gets mad" at the defendant.

In 1954, Judge Alfred P. Murrah apparently felt that the doctrine of unjust enrichment embodied in Title 15 and previously championed by the Supreme Court in *Hamilton-Brown (supra)* and *Mishawaka (supra)* was still valid and subsisting, because he stepped up to the plate in the case of *Blue Bell Co. v. Frontier Refining Co.* 213 F.2d 354, 363, (10th Cir. 1954). Judge Murrah, speaking for the Court stated:

> . . the courts have now settled on the theory that a trade-mark infringer is liable as a trustee for profits accruing from his illegal acts, even though the owner of the mark was not doing business in the consuming market where the infringement occurred.
>
> * * *
>
> Recovery is predicated upon the equitable principle of unjust enrichment, not the legal theory of provable damages.

Id., 213 F.2d at 363.

The *Blue Bell* case cites the *Mishawaka* and the *Champion Spark Plug* cases referred to above.

In the instant *Bishop* case we see a Federal District Judge who apparently dislikes the idea of unjust enrichment. Judge Ellison would require the infringer to prove actual losses. After reversal, this District Judge still found a way to deny the profits of the infringer to the trademark owner. But he is not alone in his attitude:

In the case of *International Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A. Inc.* (2nd Cir. 1996) 80 F.3d 749 ("*ISCYRA I*"), the Court of Appeals for the Second Circuit was asked to reverse a Federal District Judge who had denied the infringer's profits to the trademark owner on the grounds that the trademark owner had not sustained any actual damage and that the trademark owner had failed to prove that the infringer had used the mark in bad faith, despite the fact that the infringer was enjoined from further infringement. On this first appeal, the Appeals Court reversed and remanded with directions to the district court to consider certain

evidence as bearing on the issue of willfulness. The unfairness of the situation involving the small trademark owner who was being pushed around by a big company provoked the following comments from the Second Circuit:

> Second, the district court gave no consideration to Hilfiger's conduct after ISCYRA brought suit for trademark infringement. The suit gave Hilfiger notice of its potential trademark violation, and the full trademark search that it conducted soon thereafter confirmed the existence of ISCYRA's mark. Hilfiger nonetheless continued to sell its merchandise with the infringing mark, racking up over $3 million in sales, without regard for the rights of ISCYRA. As counsel for Hilfiger admitted during oral argument, Hilfiger was betting on the fact that ISCYRA would not prevail in its suit. Hilfiger lost that bet, and should not escape the consequences of its conduct. *See Stuart v. Collins,* 489 F. Supp. 827, 832 [208 USPQ 657] (S.D.N.Y. 1980) (finding willful infringement when defendant continued to use plaintiff's mark after plaintiff's attorney demanded that it cease, thereby giving "short shrift to plaintiff's claim out of arrogance and confidence that he would not mount any significant legal attack"); *see also Polo Fashions, Inc. v. Dick Bruhn, Inc.* 793 F.2d 1132, 1135 [230 USPQ 538] (9th Cir. 1986) (courts should remove economic incentive to engage in infringing activity); *W.E. Bassett Co.*, 435 F.2d at 664 (an accounting of profits serves to deter willful infringers).

Id at 80 F.3d 754

On remand, the district court again determined that insufficient evidence existed to show that the infringer had acted in bad faith, but, in so doing, the district court took judicial notice of facts and testimony from an unrelated antitrust case. The trademark owner appealed a second time.

In this second case of *International Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A. Inc.* (2nd Cir. 1996) 146 F.3d 66 ("*ISCYRA II*"), the Court of Appeals for the Second Circuit again reversed and remanded on the grounds that the district court improperly relied upon factual findings from another unrelated case.

On remand from *ISCYRA II*, the district court specifically excluded the unrelated case from consideration and again ruled that the trademark owner was not entitled to the infringer's profits because the trademark owner had failed to show bad faith.

The trademark owner appealed for a third time and the Second Circuit, apparently resigned to the thought that this District Court Judge was not going to change his mind, finally affirmed the district court in the decision in *International Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A. Inc.* (2nd Cir. 1996) 205 F.3d 1323 ("*ISCYRA III*") (unpublished), cert. den. 531 U.S. 873.

III. The Decision of the Court of Appeals is Erroneous

How could Judge Ellison ignore the plain meaning of the Supreme Court decisions in *Hamilton-Brown (supra)* and *Mishawaka (supra)* and hold, first of all, that proof of actual damage was required? After being told that he was wrong on

the question of proof of damages, how could he drag in all those exceptions from the other circuits to disallow the disgorgement of profits when his own circuit had spoken so eloquently in the person of Judge Murrah in the ***Blue Bell*** case (*supra*)?

At the time Judge Ellison entered his Findings of Fact and Conclusions of Law (App. E 47a-56a) at the conclusion of the first trial, he found that Equinox' use of "Essence of Life" did create a likelihood of confusion since both marks use identical language to sell a nearly identical product (Finding of Fact No. 14); that Equinox did not honor its cease and desist commitment, but in fact continued to use the trademark "Essence of Life" (Finding of Fact No. 18); that Defendant's failure to honor its attorneys' cease and desist commitment constituted a trademark infringement which was deliberate or willful (Finding of Fact No. 19); that a certain report received by the investigator of the Defendant was not sufficient to justify a theory of abandonment but was instead sufficient to persuade Defendant of the economic weakness of the Plaintiff (Finding of Fact No. 20); and that this case was an exceptional one which entitled the Plaintiff to Attorneys' Fees (Finding of Fact No. 21). The District Court further characterized the actions of the Defendant as "malicious," "deliberate" or "willful." (Conclusion No.11) The District Court enjoined Equinox from further use of the trademark "Essence of Life," but allowed the Defendant to market its available supply of articles marked with the trademark "Essence of Life Liquid Mineral Complex." (Conclusion of Law No. 12).

There was no finding that Bishop's mark was "weak" and no evidence of the same. There was no finding that Bishop's mark was "obscure" - - in fact, a simple search of the entire record will show that the word "obscure" was not

used even once by anybody. There was no finding of a lack of "benefit" in the use of the mark by Equinox. Equinox' Attorney admitted that Equinox benefitted from the use of the mark as set forth in App. G 63a.

In the Order of September 22, 1999 Judge Ellison ruled:

> In considering all of the equities in this case, the relative weakness of the mark, the lack of consumer confusion or deception, and that Equinox did not benefit from Bishop's mark, the court rejects, as it did in the original finding, the notion that prevention of unjust enrichment is a sufficient rationale for awarding profits. In particular, the Court found that Defendant did not benefit from Plaintiff's "relatively obscure" mark. Further, assuming that profits can be awarded in this circuit as a deterrence to willful infringement, the Court finds that when weighing the equities, particularly that bad faith was found in Defendant's failure to honor the cease and desist agreement, the award of attorney fees is a sufficient deterrent under these circumstances. (App. C 31a)

There was no proof of a lack of benefit. The witnesses for the defendant testified just the opposite. The "lack of consumer confusion" flies in the face of Finding 14 (App. E 52a) where the Judge held that there was a "likelihood of confusion because both marks use the same language to sell an identical product." It is not clear what Judge Ellison had in mind when he referred to Plaintiff's "relatively obscure" mark. These words and concepts were not part of the trial or

any subsequent hearing. There was no hearing on remand despite Plaintiff's several requests for the same. The only place that Judge Ellison could find any support for this terminology was in Conclusion of Law 8. (App. E 56a) which cites *Lindy Pen Company* v. *Bic Pen Corp*. 952 F.2d 1400 (9th Cir. 1993). All of these terms - - "weak", "benefit" and "obscure" - - can be found in one convenient spot - - in Syllabus No. 8 of *Lindy*.

Judge Ellison also spoke to "deterrence" even though the Circuit told us in *Bishop I* that we don't operate under the deterrence theory in the 10th Circuit; we operate under the theory of unjust enrichment "which has long been the rule in this Circuit." App. D 41a

On the second appeal, as reproduced in App. B 3a-26a, *Bishop II*, the majority affirmed Judge Ellison while adopting the deterrence rationale, thereby giving him another hook to hang his judicial hat on, even though they ruled to the contrary in *Bishop I*.

The majority treats the Estate of Bishop as some type of interloper, looking for a windfall. Bishop didn't die until after the first appeal. The Estate of Bishop is merely trying to recover what is, or was, due Bishop himself had he lived to see the outcome of this litigation.

The Dissent

Circuit Judge Baldock disagrees with the majority as to denial of Defendant's profits to Bishop. He correctly states:

> For an infringer to reap the benefits of a trademark it has knowingly and intentionally stolen, and continued to use despite the lawful

> registrant's objection, and then escape payment of damages because the registrant has suffered minimal damages hardly seems equitable. (App. B 20a)

With regard to the majority's reference to a "windfall judgment, the dissent comments:

> Defendant has taken Plaintiff's property as represented by his trademark and apparently utilized this property to make a profit. If permitted to retain the profit resulting from the illegal use of Plaintiff's trademark, Defendant is unjustly enriched. App. B 22a

Finally, Judge Baldock notes that the District Court, in its original findings concluded that Defendant's failure to honor the cease and desist agreement "constituted a trademark infringement which was deliberate or willful." Judge Baldock continues:

> On remand, the district court attempted to mitigate this finding, noting that the bad faith was limited solely to Defendant's failure to honor the agreement. Defendant's actions, however, clearly support a finding of willful infringement especially in light of the additional finding that Defendant premised its decision to continue using Plaintiff's trademark on "the economic weakness of the plaintiff."

CONCLUSION

Pursuant to Rule 10 of the Rules of the Supreme Court of the United States and based upon the foregoing legal

authority and argument, it is respectfully submitted and requested that this Honorable Court grant the Writ of Certiorari. It is respectfully urged that the Tenth Circuit Court of Appeals has entered a decision which is in conflict with decisions of the Supreme Court and other United States Courts of Appeals.

Respectfully submitted,

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APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE TENTH CIRCUIT

No. 99-5215

Filed: August 17, 2001

Estate of James S. Bishop, formerly James S. Bishop d/b/a Essence of Life, *Plaintiff-Appellant*	)
v.	)
Equinox International Corp., a Nevada corporation, *Defendant-Appellee*.	)

Before EBEL, BALDOCK and KELLY, Circuit Judges

ORDER

Appellant's petition for rehearing is denied by the panel that rendered the decision.

The suggestion for rehearing en banc was transmitted to all of the judges of the court who are in regular active service as required by Fed. R. App. P. 35. No member of the panel and no judge in regular active service on the court

requested that the court be polled on rehearing en banc so the suggestion for rehearing en banc is also denied.

Entered for the Court
PATRICK FISHER, Clerk of Court

By: /s/_____
Deputy Clerk

APPENDIX B

UNITED STATES COURT OF APPEALS
FOR THE TENTH CIRCUIT

No. 99-5215

Filed: July 20, 2001

Estate of James S. Bishop, formerly James S. Bishop d/b/a Essence of Life, *Plaintiff-Appellant*	)
v.	)
Equinox International Corp., a Nevada corporation, *Defendant-Appellee.*	)

Before EBEL, BALDOCK and KELLY, Circuit Judges

On Appeal From
the United States District Court
for the Northern District of Oklahoma
No. 96-CV-6-E
Judge James O. Ellison

OPINION

EBEL, Circuit Judge.

This case arises from a trademark dispute between plaintiff-appellant, the Estate of James S. Bishop ("the Estate"), and defendant-appellee, Equinox International Corporation ("Equinox"), over Equinox's infringing use of the federally registered trademark "Essence of Life." We resolved a prior appeal in this case in Bishop v. Equinox International Corp., 154 F.3d 1220 (10th Cir. 1998) ("Bishop I"), in which we remanded to the district court to determine whether the Estate was entitled to a portion of Equinox's profits during the infringing period. Here, the Estate argues that the district court abused its discretion when it failed on remand to award the Estate a portion of Equinox's profits. The Estate further argues that the district court abused its discretion in failing to grant the Estate's motion for disqualification of the district court judge. Because we find that the district court was acting within its discretionary authority on both issues, we AFFIRM the decision of the district court.

BACKGROUND

In October 1985, the original plaintiff-appellant, James Bishop ("Bishop"), began making and selling a dietary supplement composed of a mineral electrolyte solution ("liquid mineral complex") in both liquid and capsule form. Bishop affixed the trademark "Essence of Life" to the products' containers and received a Certificate of Federal Trademark Registration, No. 1,504, 568, on September 20, 1988. Bishop then filed and received acceptance of a

"Section 8 and 15" Affidavit of Continuing Use under 15 U.S.C. § § 1058 and 1065.

In approximately January 1995, Bishop became aware that Equinox was marketing a product using the phrase "Essence of Life," which was further described as a "liquid mineral complex." In a letter dated February 22, 1995, Bishop's then-attorney notified Equinox that Bishop considered Equinox's use of the phrase "Essence of Life" an infringement on his trademark and requested that Equinox cease and desist in further infringement. Equinox's attorney responded with a letter dated June 1, 1995, advising Bishop's attorney that Equinox would stop using the phrase "Essence of Life" on its products. Equinox did not, however, stop using the trademark.

Bishop filed suit on January 3, 1996, and the district court conducted a three-day bench trial in 1997. The district court held that Equinox had deliberately or willfully infringed Bishop's trademark and enjoined Equinox from further use of the trademark. The district court also found: (1) Equinox's use of the phrase "Essence of Life" created a likelihood of confusion due to the identical language being used to sell a nearly identical product; (2) Equinox did not cease using the mark as promised by its attorney in the June 1, 1995, letter, at least in part because it perceived Bishop to be without the resources to sue Equinox; and (3) the case was exceptional enough to warrant an award of $ 100,000 in attorney's fees to Bishop. The district court nevertheless denied Bishop an award of any portion of Equinox's profits on the theory that a plaintiff must demonstrate actual damages before he is entitled to receive a portion of a defendant's profits under 15 U.S.C. § 1117.

Bishop appealed that decision to this court.[1] We held in Bishop I that the district court erred in requiring Bishop to show actual damages to receive a portion of Equinox's profits. See 154 F.3d at 1222-23. We noted that a number of circuit courts of appeals had upheld awards of defendant's profits pursuant to 15 U.S.C. § 1117, even absent proof of actual damage to the plaintiff, under the alternative theories of preventing unjust enrichment or deterring willful infringement. Id. at 1223. We thus remanded the case to the district court to determine whether Bishop should be awarded a portion of Equinox's profits as part of the overall damage award in the case, with an instruction that the district court should "fashion a remedy that 'will satisfy the equities of the case.'" Id. at 1224 (quoting Champion Spark Plug Co. v. Sanders, 331 U.S. 125, 131, 91 L. Ed. 1386, 67 S. Ct. 1136 (1947)).

On remand, the district court ordered the parties to file simultaneous briefs "on the issue of whether, on the evidence now before the Court, and taking into consideration equity and the analyses of the Court of Appeals in this case, the Plaintiff is entitled to profits as an element of damages." On February 1, 1999, Bishop filed a brief requesting that the district court grant an accounting of Equinox's profits from January 9, 1997, through the end of 1997. Shortly thereafter Bishop filed a motion for a status conference.

Bishop soon discovered that Equinox was still advertising products on its website using the "Essence of

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[1] Equinox unsuccessfully cross-appealed the district court's award of attorney's fees in favor of Bishop. See Bishop I, 154 F.3d at 1224.

Life" trademark.[2] Bishop responded to this discovery by filing a motion for a contempt citation on March 16, 1999. Bishop then died and the Estate was substituted as the plaintiff in this matter. Not having heard from the district court, the Estate on June 17, 1999, filed a second motion for a status conference and a motion for additional discovery on the issue of Equinox's profits. Then, on September 21, 1999, the Estate filed a motion to disqualify Senior Judge James O. Ellison, the district judge to whom the case had been assigned, based upon the delay in scheduling a status hearing and his decision not to allow additional discovery on the issue of Equinox's profits.

On September 22, 1999, Judge Ellison denied the Estate any portion of Equinox's profits, denied the Estate's motions for a status conference and for additional discovery as moot, and denied the Estate's motion for a contempt citation and for Judge Ellison's disqualification. In denying an award of profits, the district court stated:

> In light of the [Bishop I] Court's reliance on International Star Class Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc., 80 F.3d 749 (2d Cir. 1996), wherein the Court reversed and remanded for additional findings on an award of profits despite a finding of no intentional deception, this Court believes that the task before it is to consider all the equities

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[2] The district court had earlier ruled that Equinox would be allowed to market its available supply of products marked with the trademark "Essence of Life Liquid Mineral Complex," but that further marking would not be allowed.

> in the case anew and make a determination on the applicability of an award of profits.
>
> In considering all of the equities in this case, the relative weakness of the mark, the lack of customer confusion or deception, and that Equinox did not benefit from Bishop's mark, the court rejects, as it did in the original findings, the notion that prevention of unjust enrichment is a sufficient rationale for awarding profits. In particular, the Court found that Defendant did not benefit from Plaintiff's "relatively obscure" mark. Further, assuming that profits can be awarded in this circuit as a deterrence to willful infringement, the Court finds that when weighing the equities, particularly that the bad faith was found in Defendant's failure to honor the cease and desist agreement, the award of attorney fees is a sufficient deterrent under these circumstances.

Estate of Bishop v. Equinox Int'l Corp., No. 96-C-006-E, slip op. at 4 (N.D. Okla. Sept. 23, 1999) (unpublished order) ("Bishop II").

In regard to the motion to disqualify, the district court noted that his January 5, 1999, Order directed the parties to brief the issue remanded by the Court of Appeals, which belied the Estate's contention that he "was trying to avoid the ruling," and found that neither that nor the court's failure to schedule a status conference "provide a reasonable factual basis for calling the court's impartiality into question." Id.,

slip op. at 1 n.1.

The instant appeal followed. Subsequent to the filing of this appeal but acknowledged by the Estate at oral argument, Equinox entered into a settlement agreement in an action initiated by the Federal Trade Commission ("FTC") and several states. See Federal Trade Comm'n v. Equinox Int'l Corp., No. CV-S-99-0969-JBR-RLH (D. Nev. Apr. 20, 2000) (unpublished order). The FTC's allegations against Equinox included violations of § 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, and violations of various state statutes dealing with securities, deceptive trade practices, false advertising, pyramid schemes and licensing requirements. See id., slip op. at 2. Pursuant to the settlement agreement, Equinox is no longer in operation and a receiver has been appointed to liquidate all of Equinox's assets for distribution to its creditors. See id., slip op. at 10, 13, 15-20.

DISCUSSION

A. The Damage Award

1. The Statute

The statute under which damages may be awarded in a trademark infringement case reads in relevant part:

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section 1125(a) of this title, shall have been established in any civil action arising under

> this chapter, the plaintiff shall be entitled ... subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. ... The court in exceptional cases may award reasonable attorney's fees to the prevailing party.

See 15 U.S.C. § 1117(a) (emphasis added).

2. Discretionary Remedy

There are three articulated justifications for awarding a portion of a defendant's profits to an injured plaintiff, only two of which are at issue in this case: prevention of unjust enrichment and deterrence of willful infringement. See Bishop I, 154 F.3d at 1222-23. The third justification, actual damages to the Estate, is not at issue in this case because the record clearly indicates that the Estate suffered no actual damages as a result of Equinox's infringing actions. See Bishop II, slip op. at 2-3.

In regard to the unjust enrichment theory of recovery, we have stated that a plaintiff may recover a portion of a defendant's profits even where the plaintiff was not actually injured by the defendant's unfair use of the disputed trademark. See Bishop I, 154 F.3d at 1223. "The infringer's use of the marketholder's property to make a profit results in

unjust enrichment that may properly be remedied through an award of profits, 'even if the defendant and plaintiff are not in direct competition.'" Id. (quoting Maltina Corp. v. Cawy Bottling Co., 613 F.2d 582, 585 (5th Cir. 1980) (emphasis added)). This is because, as we have previously noted, "the courts have now settled on the theory that a [trademark] infringer is liable as a trustee for profits accruing from his illegal acts, even though the owner of the mark was not doing business in the consuming market where the infringement occurred." Blue Bell Co. v. Frontier Refining Co., 213 F.2d 354, 363 (10th Cir. 1954).

In regard to the deterrence of willful infringement rationale for awarding a portion of a defendant's profits, we have recognized that "several of our sister circuits have recognized that an award of profits may be proper, absent a showing of actual damage, as a deterrent to willful infringement," Bishop I, 154 F.3d at 1223 (citing cases from the Second, Ninth and Eleventh Circuit Courts of Appeals) (emphasis added), and we have implied that we would similarly accept this rationale for awarding profits in a trademark infringement case. See id. at 1223-24.

While we have stated that trademark infringement "may properly be remedied through an award of profits," id. at 1223 (emphasis added), so that unjust enrichment of the defendant may be avoided or so that the defendant will be deterred from future wrongdoing, we have never stated that a plaintiff must necessarily be so compensated whenever a defendant wrongfully appropriates the plaintiff's trademarked property to make a profit. See id. To the contrary, we have emphasized: "An accounting of profits is not automatically granted upon a showing of infringement. Rather, the propriety

of such relief is determined by equitable considerations. Consequently, the district court has wide discretion to fashion an appropriate remedy." Id. at 1222 (citations omitted); see also Lindy Pen Co. v. Bic Pen Corp., 982 F.2d 1400, 1405 (9th Cir. 1993) (stating that an accounting of profits will be granted only in light of equitable considerations).

In short, we have acknowledged that a showing of actual damages is not required to recover a portion of an infringing defendant's profits in a trademark action, and that plaintiffs in such cases may recover the defendants' profits based upon the alternative theories of the prevention of unjust enrichment and the deterrence of willful infringement. We have also instructed the district courts to fashion equitable remedies to meet the individual needs of each case, carefully weighing the equities on both sides of the scale to determine whether, in that district court's judgment and within its wide discretion, the plaintiff may receive a portion of the infringing defendant's profits.

3. Standard of Review

We review a district court's decision whether to award a portion of an infringing defendant's profits to a prevailing plaintiff under an abuse of discretion standard. See Bishop I, 154 F.3d at 1222; BASF Corp. v. Old World Trading Co., 41 F.3d 1081, 1092 (7th Cir. 1994). We have stated:

> Under the abuse of discretion standard[] "a trial court's decision will not be disturbed unless the appellate court has a definite and firm conviction that the lower court made a clear error of judgment or

> exceeded the bounds of permissible choice in the circumstances. When we apply the 'abuse of discretion' standard, we defer to the trial court's judgment because of its first-hand ability to view the witness or evidence and assess credibility and probative value."

Moothart v. Bell, 21 F.3d 1499, 1504 (10th Cir. 1994) (quoting McEwen v. City of Norman, 926 F.2d 1539, 1553-54 (10th Cir. 1991)) (further quotation omitted). We have further defined an abuse of discretion to be "'an arbitrary, capricious, whimsical, or manifestly unreasonable judgment.'" Coletti v. Cudd Pressure Control, 165 F.3d 767, 777 (10th Cir. 1999) (quoting FDIC v. Oldenburg, 34 F.3d 1529, 1555 (10th Cir. 1994)) (further quotation omitted).

4. Analysis

Here, we cannot conclude that the district court abused its "wide discretion" when it weighed the equitable considerations presented in this case and determined both that a full accounting of profits was not necessary and that the Estate was not equitably entitled to a portion of Equinox's profits for its use of the "Essence of Life" trademark.

The record demonstrates that the plaintiff sold an average of only 98 bottles of his product each year. See Bishop I, 154 F.3d at 1222. Further, the district court found that the plaintiff did not lose any sales due to Equinox's infringing use of the trademark, that Equinox did not benefit from any goodwill associated with the disputed trademark, and that there was no actual consumer confusion or deception caused by Equinox's infringing use of the trademark. See

Bishop II, slip op. at 3. These factors are relevant not just in demonstrating that the Estate suffered no actual damages, but also in considering whether an award of a portion of Equinox's profits is appropriate either to prevent unjust enrichment or to deter future willful infringement. See Bishop I, 154 F.3d at 1223 ("Notwithstanding the existence of these theories of recovery [of preventing unjust enrichment and deterring willful infringement], we recognize that a finding of actual damage remains an important factor in determining whether an award of profits is appropriate.").

Because the Estate never maintained an active business presence of substantial magnitude or profitability related to the "Essence of Life" trademark, never lost any sales or customer goodwill related to its "Essence of Life" products, and never encountered any customer confusion due to Equinox's infringing use of the mark, it is clear that the Estate suffered no actual injuries related to Equinox's infringement of its trademark. Thus it appears the Estate is simply seeking a windfall based upon the defendant's willful, but in no way damaging (either to the Estate or to the public at large), appropriation of the plaintiff's trademark. While the defendant is undeniably unsympathetic in that it willfully infringed upon the Estate's trademarked property, neither is the Estate itself - which has already received an injunction and an award of $100,000 in attorney's fees - a particularly sympathetic plaintiff.

The district court clearly had this in mind when it determined that the equities of the case were satisfied, and that Equinox was sufficiently deterred from future willful infringement, by the $ 100,000 attorney's fees award against Equinox:

> In considering all of the equities in this case, the relative weakness of the mark, the lack of customer confusion or deception, and that Equinox did not benefit from Bishop's mark, the court rejects, as it did in the original findings, the notion that prevention of unjust enrichment is a sufficient rationale for awarding profits. In particular, the Court found that Defendant did not benefit from Plaintiff's "relatively obscure" mark. Further, assuming that profits can be awarded in this circuit as a deterrence to willful infringement, the Court finds that when weighing the equities, particularly that the bad faith was found in Defendant's failure to honor the cease and desist agreement, the award of attorney fees is a sufficient deterrent under these circumstances.

Bishop II, slip op. at 4.

In reviewing the district court's determination that an award of profits was not appropriate in this case, we find that the district court carefully weighed the equities and was well within its discretion in finding that the Estate was not entitled to a windfall judgment awarding it a portion of the defendant's profits, and that the $ 100,000 award of attorney's fees was a sufficient deterrent to any future willful trademark infringement by Equinox. Cf. ALPO Petfoods, Inc. v. Ralston Purina Co., 286 U.S. App. D.C. 192, 913 F.2d 958, 969 (D.C. Cir. 1990) ("This court ... [has] advised a district court to make an award that would deter the defendant, yet not be a windfall to plaintiff nor amount to

punitive damages.") (citations, quotations and emphasis omitted), quoted in Bishop I, 154 F.3d at 1223.

The dissent asserts that the district court's failure to conduct discovery on the amount of Equinox's profits during the infringing period meant that the district court did not have all the facts necessary to determine whether an award of profits was appropriate in this case. See post at 4 ("Most troublesome is the district court's refusal to allow discovery to accurately determine the amount of Defendant's profits at issue. Surely, the amount of profits involved is an equity the district court must consider.").

We have in the past found an abuse of discretion where the district court has "failed to consider the applicable legal standard or the facts upon which the exercise of its discretionary judgment is based." Ohlander v. Larson, 114 F.3d 1531, 1537 (10th Cir. 1997). But we disagree that the district court failed to consider all the relevant facts prior to issuing its opinion. The district court knew when deciding whether to award a portion of Equinox's profits that Equinox had generated total gross profits $ 16,233,045 for the time period of approximately February 1994 through December 1996. There was no finding as to what portion of these gross profits was attributable to the sale of "Essence of Life" products, but Equinox estimated the net profit attributable to its "Essence of Life" products for the relevant time period at $ 1,447,878.[3] The district court was thus aware of the extent

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[3] The Estate argued to the district court that this number was derived by Equinox through a serious of questionable deductions, and that "Bishop should be entitled to all of Equinox's profits (without deductions) on the sale of its 'Essence of Life' products since the alleged deductions are not properly verifiable."

of both Equinox's gross profits and its estimated net profits for most of the infringement period when it determined that awarding the Estate a portion of those profits was neither necessary nor appropriate in this case. Since the district court already had detailed information regarding Equinox's estimated profits, which were by all accounts considerable and at least partially acknowledged by both parties, we find that the district court's determination that Equinox was sufficiently deterred from future willful infringement by the $ 100,000 attorney fee award in favor of the Estate was based on sufficient evidence of Equinox's profits, and was by no means "'an arbitrary, capricious, whimsical, or manifestly unreasonable judgment.'" Coletti, 165 F.3d at 777 (quoting Oldenburg, 34 F.3d at 1555). That decision was well within the district court's discretion, and will not be disturbed on appeal.

Finally, we take judicial notice of the fact that Equinox is now in federal receivership. As such, Equinox is no longer an operating entity and its assets are being liquidated for distribution to Equinox's creditors. Given the practical realities of Equinox's current legal status, we believe remanding this case for further accounting of the profits attributable to Equinox's appropriation of the disputed trademark would be both futile and counterproductive. The district court, when faced with a plaintiff who was not actually injured by Equinox but who nevertheless desired a windfall judgment against the company, already determined that the Estate was not equitably entitled to a portion of Equinox's profits. That determination occurred when the

district court believed Equinox was still a viable business entity. That is no longer the case, and it is impossible to believe that the equities would be weighed more favorably to the plaintiff when the district court is asked to weigh the Estate's request for a windfall judgment against the existence of claims filed by Equinox's creditors in the liquidation proceeding. Prolonging this litigation will simply increase Equinox's expenses, which will then be paid indirectly by Equinox's other creditors in the form of decreased disbursements in the liquidation proceeding, and would most likely leave the Estate no better off than it is today.

For these reasons, we hold that the district court did not abuse its discretion when it declined to award the Estate a portion of Equinox's profits.

B. Motion to Disqualify

The Estate also challenges the denial of its motion to disqualify Judge Ellison. The Estate argues that the judge should have disqualified himself because he harbors a general bias against the remedy of unjust enrichment in trademark infringement cases, as evidenced by his refusal to allow discovery on the question of profits. In addition, the Estate filed several requests and motions between January and September 1999, but the district court ruled on none of them until the day after Plaintiff filed a motion to disqualify, at which point the district court denied them all.

The standard to disqualify a judge is "whether a reasonable person, knowing all the relevant facts, would harbor doubts about the judge's impartiality. ... In applying the test, the initial inquiry is whether a reasonable factual

basis exists for calling the judge's impartiality into question." United States v. Cooley, 1 F.3d 985, 993 (10th Cir. 1993) (quotations omitted). Because the district court made a record of its reasons for denying the Estate's motion, we review the decision for abuse of discretion. Sac & Fox Nation of Okla. v. Cuomo, 193 F.3d 1162, 1168 (10th Cir. 1999).

Courts nationwide have set forth reasons for which disqualification may be necessary under 28 U.S.C. § 455(a), which provides that "any justice, judge, or magistrate of the United States shall disqualify himself in any proceeding in which his impartiality might reasonably be questioned." See 28 U.S.C. § 455(a). "The standard is purely objective. The inquiry is limited to outward manifestations and reasonable inferences drawn therefrom." Cooley, 1 F.3d at 993. Factors that do not merit disqualification include: rumor, speculation, beliefs, conclusions, or other non-factual matters, see, e.g., United States v. Burger, 964 F.2d 1065, 1070 (10th Cir. 1992); the fact that the judge has previously expressed an opinion on a point of law, see, e.g., Leaman v. Ohio Dep't of Mental Retardation & Developmental Disabilities, 825 F.2d 946, 949 n.1 (6th Cir. 1987); and prior rulings that were adverse to the moving party in this proceeding, or in another proceeding, solely because they were adverse, see, e.g., Green v. Dorrell, 969 F.2d 915, 919 (10th Cir. 1992). In addition, in Sac & Fox we noted that there was no authority for the proposition that the "time and manner of [the judge's] ruling creates a reasonable doubt about impartiality, absent any other indicia of bias or partiality." 193 F.3d at 1168; see also Kennedy v. Meacham, 540 F.2d 1057, 1060 (10th Cir. 1976) (noting that delays attributed to the judge are not sufficient grounds for disqualification.).

Applying these standards, we hold that the district judge did not err in refusing to disqualify himself. The fact that the court had previously ruled against the Estate cannot be viewed, without more, as evidence of bias against the Estate. Accord Green, 969 F.2d at 919. Furthermore, nothing in the district court's rulings in this case, including the timing of the final decision or the delay in scheduling a status conference, provides a reasonable basis from which bias could be inferred. Accord Sac & Fox, 193 F.3d at 1168; Kennedy, 540 F.2d at 1060. We therefore find that the district court's denial of the motion to disqualify did not constitute an abuse of discretion.

CONCLUSION

For the foregoing reasons, we AFFIRM the district court's decision in regard to both the damage award and the motion to disqualify.

BALDOCK, Circuit Judge, dissenting in part and concurring in part:

The Court's opinion properly emphasizes that district courts have wide discretion in fashioning a remedy for a violation of the Lanham Act. An accounting of profits is not automatic but must be granted in light of equitable considerations. Lindy Pen Co. v. Bic Pen Corp., 982 F.2d 1400, 1405 (9th Cir. 1993). The district courts, however, must carefully fashion remedies that take all the economic incentive out of deliberate trademark infringement. Playboy Enter., Inc. v. Baccarat Clothing Co., 692 F.2d 1272, 1275 (9th Cir. 1982). For an infringer to reap the benefits of a trademark it has knowingly and intentionally stolen, and

continued to use despite the lawful registrant's objection, and then escape payment of damages because the registrant suffered minimal actual damages hardly seems equitable. Maier Brewing Co. v. Fleischmann Distilling Corp., 390 F.2d 117, 123 (9th Cir. 1968). Accordingly, I respectfully dissent from Part A of the Court's opinion addressing the damage award in this case. I concur in Part B.

I.

Unjust enrichment is a well-established theory of recovery for trademark infringement in this Circuit. In Bishop I, we explained that "the infringer's use of the markholder's property to make a profit results in unjust enrichment that may properly be remedied through an award of profits, 'even if the defendant and plaintiff are not in direct competition.'" Bishop, 154 F.3d at 1223 (quoting Maltina Corp. v. Cawy Bottling Co., 613 F.2d 582, 585 (5th Cir. 1980)); see also Blue Bell Co. v. Frontier Refining Co., 213 F.2d 354, 363 (10th Cir. 1954) (an infringement can occur although the owner of the mark was not doing business in the market where the infringement occurred). "'[A] trademark infringer is liable as a trustee for profits accruing from his illegal acts.'" Bishop, 154 F.3d at 1223 (quoting Blue Bell Co., 213 F.2d at 362-63). The dollar amount of the recovery in an accounting for profits under the unjust enrichment rationale bears no relation to the damages, if any, sustained by the plaintiff in the action. Maier Brewing Co., 390 F.2d at 124.

With regard to an award of profits based on the theory of unjust enrichment, the district court rejected "the notion that prevention of unjust enrichment is a sufficient rationale for awarding profits." By itself, this is an incorrect statement

of the law. The district court presumably, however, intended this statement to apply only to the circumstances of this case because the district court referred to its findings that Plaintiff's mark is weak, no consumer confusion or deception exists, and Defendant did not benefit from Plaintiff's mark. The district court specifically found that "Defendant did not benefit from Plaintiff's 'relatively obscure' mark." In this case, the district court essentially concluded that because Defendant's actions did not divert sales away from Plaintiff, Defendant was not unjustly enriched. Yet, the diversion of sales is not a requirement in applying an unjust enrichment theory. Bishop, 154 F.3d at 1223

The Court refers to Plaintiff's request for damages as a "windfall judgment." An award of Defendant's profits cannot be considered a "windfall" when authorized by statute. See 15 U.S.C. § 1117(a). Clearly, if no competition exists between the parties, no diversion of customers and sales can exist. We have previously held, however, that competition is not a prerequisite to recovery of profits. See Bishop, 154 F.3d at 1223; accord Maier Brewing Co., 390 F.2d at 122 ("those courts which treat an accounting solely as a method of compensating for the diversion of customers fail to fully effectuate the policies of the Act"). Defendant has taken Plaintiff's property as represented by his trademark and apparently utilized this property to make a profit. If permitted to retain the profit resulting from the illegal use of Plaintiff's trademark, Defendant is unjustly enriched.

II.

In Bishop I, we also established that deterring willful infringement is an appropriate basis for an award of profits in

this Circuit. Bishop, 154 F.3d at 1224. A finding of willfulness or bad faith is a prerequisite to an award of profits based on the deterrence theory of recovery. Id. We noted in Bishop I that "the findings of fact recite that Equinox may have acted with the degree of willfulness necessary for an award of profits." Id. On remand, the district court held that its award of $ 100,000 in attorney fees was a sufficient deterrent and refused to award profits to Plaintiff.

In its original findings of fact, the district court concluded that Defendant's failure to honor the cease and desist agreement "constituted a trademark infringement which was deliberate or willful."[1] On remand, the district court attempted to mitigate this finding, noting that the bad faith was limited solely to Defendant's failure to honor the agreement. Defendant's actions, however, clearly support a finding of willful infringement especially in light of the district court's additional finding that Defendant premised its decision to continue using Plaintiff's trademark on "the economic weakness of the Plaintiff." Moreover, the district court found that this was an "exceptional case" justifying an award of attorney fees. An "exceptional case" is "one in which the trademark infringement can be characterized as 'malicious, fraudulent, deliberate, or willful.'" Bishop, 154

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[1] Plaintiff notified Defendant by letter dated February 22, 1995, that Defendant was infringing upon Plaintiff's registered "Essence of Life" trademark. In the letter, Plaintiff requested that Defendant cease and desist from further infringement. Defendant's attorney responded by letter dated June 1, 1995, stating that Defendant would voluntarily refrain from using the name "Essence of Life" on their products. Defendant, however, continued to market products using the phrase "Essence of Life." Plaintiff ultimately filed suit on January 3, 1996.

F.3d at 1224 (quoting VIP Foods, Inc. v. Vulcan Pet, Inc., 675 F.2d 1106, 1107 (10th Cir. 1982)). The record reflects that Defendant's course of conduct constituted a callous disregard for the rights of a trademark owner. Consequently, I would require that the district court instruct Defendant to make a full accounting before deciding whether an award of profits is an appropriate remedy in this case.

III.

Given the evidence of Defendant's willful infringement of Plaintiff's trademark and Defendant's decision to continue its infringement due to Plaintiff's economic weakness, the district court may have abused its discretion by not awarding some portion of Defendant's profits to Plaintiff. "The monetary relief must be great enough to further the statute's goal of discouraging trademark infringement but must not be so large as to constitute a penalty." Sands, Taylor & Wood v. Quaker Oats Co., 34 F.3d 1340, 1349 (7th Cir. 1994). The Lanham Act, however, specifically states,

> if the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty.

15 U.S.C. § 1117 (emphasis added).

The district court reasoned that "the award of attorney

fees is a sufficient deterrent under these circumstances." I cannot definitively resolve this question, however, because, in my opinion, the record is not sufficient for us to evaluate properly whether an additional award of profits based on deterrence is appropriate. Although the district court ordered briefing on the issue of Plaintiff's entitlement to profits, the court did not hold an evidentiary hearing to determine the amount of Defendant's profits attributable to the sale of "Essence of Life."

Most troublesome is the district court's refusal to allow discovery to accurately determine the amount of Defendant's profits at issue. Surely, the total amount of profits involved is an equity the district court must consider. See Bishop, 154 F.3d at 1224 (directing the district court to "fashion a remedy that will satisfy the equities of the case"). Although neither party specifically addresses on appeal the amount of profits at issue, the portions of the record available to us seem to indicate that very large sums of money could be at stake.[2] We simply cannot determine the amount of an appropriate award of profits, if any, without specific evidence of Defendant's profits during the entire time of the infringement. Additional discovery is necessary regarding the amount of Defendant's profits for the entire duration of the infringement. Only after considering this additional evidence can the district court properly decide whether an award of profits is appropriate in this case.

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[2] The record indicates that from 1994 through December 1996, Defendant's gross profits resulting from the sale of "Essence of Life" were over $ 16 million dollars. In addition, the district court refused to allow further discovery of Defendant's profits for 1997, so those profits presumably are not included in the $ 16 million dollar figure.

IV.

Finally, I strongly disagree with the Court's reliance on Defendant's current legal status as a basis for its decision. The fact that Defendant is now in receivership should not, to Plaintiff's detriment, insulate Defendant from the consequences of its illegal actions. The Court notes that "prolonging this litigation will simply increase [Defendant's] expenses, which will then be paid indirectly by [Defendant's] other creditors in the form of decreased disbursements ...." Our duty, however, is not to protect potential creditors, our duty is to ensure that this case is handled properly from start to finish in accordance with the law. Remanding the case back to the district court may not be "practical," but expedience does not trump ensuring that established rules of law are followed. Defendant's actions were not just "inappropriate," they were willful, deliberate and illegal. Accordingly, I would vacate the district court's order denying an award of profits and remand for further proceedings.

APPENDIX C

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF OKLAHOMA

Case No. 96-C-006-E

Filed: September 22, 1999

ESTATE OF JAMES S. BISHOP, formerly, JAMES S. BISHOP, d/b/a ESSENCE OF LIFE, *Plaintiff*,

vs.

EQUINOX INTERNATIONAL CORPORATION, *Defendant*.

ORDER

This matter is before the Court on the reversal and remand of the Court of Appeals wherein they reversed the denial of an award of profits and remanded, directing this Court to "fashion a remedy that will satisfy the equities of the case." Bishop v. Equinox International Corp., 154 F.3d 1220,

1223 (10th Cir. 1998).[3] At this same time, the Court will consider the Application for Contempt Citation (Docket # 91) of the Plaintiff, Estate of James S. Bishop.

Statement of the Case

This is an action for trademark infringement and unfair competition wherein the plaintiff claimed that defendant infringed on its federally-registered trademark"Essence of Life," a "Mineral Electrolyte Solution in Liquid and Capsule Form" by marketing a product under the primary mark of Equinox Master Formulas, and using the secondary mark "Essence of Life Liquid Mineral Complex." After a two day bench trial, the Court found that the use of the secondary mark "Essence of Life Liquid Mineral Complex" creates a likelihood of confusion, entered an injunction prohibiting Defendant from marking its product with "Essence of Life Liquid Mineral Complex," and awarded attorney fees in favor of Plaintiff. The Court, however, declined to award damages

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[3] Plaintiff has filed, on the day before the issuance of this Order, a Motion for Disqualification of this Court, arguing that the wording of this Court's Minute Order of January 5, 1999, and the Court's failure to set the case for status and scheduling conference, give the appearance that the "Judge was trying to avoid the ruling of the Court of Appeals," and "give an appearance of partiality on the part of the Judge and against the Plaintiff." The test on such a request is "whether a reasonable person, knowing all the relevant facts, would harbor doubts about the judge's impartiality .... In applying the test, the initial inquiry is whether a reasonable factual basis exists for calling the judge's impartiality into question." Urdted States v. Cooley, 1 F.3d 985,983 (10~ Cir. 1993). In applying this test, the Court notes that its Minute Order clearly directed the parties to brief the issue raised by the Court of Appeals for remand. Neither that Order nor the failure to set a status and scheduling conference provide a reasonable factual basis for calling the court's impartiality into question.

and further held that because "[p]laintiff has not established entitlement to any actual damage [plaintiff] is therefore not entitled to any portion of Defendant's profits." The Court of Appeals upheld the award of attorney fees, but reversed the denial of an award of profits, finding that, as a matter of law, an award of profits may be proper absent a showing of actual damage.

Previous Factual Findings

The Court has previously found that plaintiff owns federal "registration number 1,504,568" and common-law rights in and to the "Essence of Life" trademark used in conjunction with mineral electrolyte solutions in both liquid and capsule form. The Court also found that Defendant markets and sells a liquid mineral complex named "Essence of Life Liquid Mineral Complex" which is one among nineteen products in its Equinox Master Formula's line of products. The Court further found a likelihood of confusion created by Defendant's product. In addition, it was noted that, when Plainfiff demanded that Defendant cease and desist from the use of the registered"Essence of Life" trademark, Defendant advised Plaintiff that it would cease and desist from use of the trademark, but did not honor its cease and desist commitment.

The Court found that the failure to honor the cease and desist commitment constituted a trademark infringement which was deliberate or willful, and further found that the evidence was not sufficient to justify a theory of abandonment of the mark. The Court concluded that there was no evidence of actual consumer confusion or deception, and no proof of any lost sales or loss of goodwill. The Court declined to

award profits, concluding "Plaintiff's mark is weak and it is clear that Defendant did not benefit from the Plaintiff's relatively obscure mark."

Analysis

The Court was directed to reconsider the issue of an award of profits in light of equitable considerations. An award of profits to the successful plaintiff in trademark infringement case is allowed by 15 U.S.C. §1117(a):

> When a violation of any right of the registrant of a mark registered in the patent and Trademark Office, or a violation under section 1125(a) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled ... subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) costs of the action ....

The Court of Appeals noted that "there are two widely recognized rationales for awarding profits to a plaintiff who cannot demonstrate that he or she has suffered damages as a consequence of the infringement: preventing unjust enrichment and deterring willful infringement." Bishop, 154 F.3d at p. 1222. Moreover, the Court acknowledged that an "award of profits required a showing that defendant's actions were willful or in bad faith." Bishop, 154 F.3d at p. 1223.

It is on the issue of willfulness or bad faith that the parties disagree. Plaintiff argues that, because this court

found the necessary willfulness or bad faith necessary to make an award of attorney fees, an award of profits must follow. Defendant argues that in all of the Tenth Circuit cases where an award of profits was made, the Defendant was found to have intended to confuse the public as to the origin of the product in question. See, e.g., Blue Bell Co. v. Frontier Refining Co., 213 F.2d 354, 361 (10th Cir. 1954), Friedman v. Sealy. Inc., 274 F.2d 255, 262 (10th Cir. 1960). Relying on this fact, and the Restatement (Third) of Unfair Competition § 37(1)(a) (1995) which premises an award of profits on a showing that the defendant had the intention of causing confusion or deception, Equinox argues that the theory of unjust enrichment does not apply because the court did not find intentional deception.

Nonetheless, in light of the Bishop Court's reliance on International Star Class Racing Ass'n v. Tommy Hiifiger, U.S.A., Inc., 80 F.3d 749 (2d cir. 1996), wherein the Court reversed and remanded for additional findings on an award of profits despite a finding of no intentional deception, this Court believes that the task before it is to consider all the equities in --the-- case anew and make a determination on the applicability of an award of profits.

In considering all of the equities in this case, the relative weakness of the mark, the lack of consumer confusion or deception, and that Equinox did not benefit from Bishop's mark, the court rejects, as it did in the original findings, the notion that prevention of unjust enrichment is a sufficient rationale for awarding profits. In particular, the Court found that Defendant did not benefit from Plaintiff's "relatively obscure" mark. Further, assuming that profits can be awarded in this circuit as a deterrence to willful infringement, the

Court finds that when weighing the equities, particularly that the bad faith was found in Defendant's failure to honor the cease and desist agreement, the award of attorney fees is a sufficient deterrent under these circumstances.

Application For Contempt Citation

Plaintiff has also filed an Application for Contempt Citation, arguing that two references on the web site of Equinox, one which states that Mint-T-Fresh Herbal Toothpaste should be used "while nourishing the teeth and gums with Essence of Life-Liquid Mineral Complex," and one which states that Equinox "suggest[s] using Mega-Cal Wafers along with our Essence of Life-Liquid Mineral complex, which is rich in magnesium," violate the injunctive provision of the Court's Findings of Fact and Conclusions of Law found in Conclusion of Law No. 12. Plaintiff also argues that the fact that one of Equinox' independent distributors is offering for sale Essence of Life Liquid Mineral Complex violates the injunctive provision as well.

Conclusion of Law No. 12 provides:

> In considering the issue of inj unction the court must balance the equities and in so doing, the Court will allow the Defendant to market its available supply of articles marked with the trademark "Essence of Life Liquid Mineral Complex". No further marking will be made on Defendant's product subsequent to this date. W.E. Basett Co. v. Revlon, Inc., 354 F.2d 868 (2nd cir. 1966). The Defendant Equinox international corporation is enjoined

from further distribution of its products carrying the mark "Essence of Life Liquid Mineral Complex."

In examining the particular wording of the injunction, as well as Fed. R. Civ. C. 65(d), pertaining to the form and scope of an injunction, the Court concludes that the evidence of the plaintiff, without more, is insufficient to demonstrate a violation of the injunction. The reference to "Essence of Life Liquid Mineral Complex" on the web page does not demonstrate that Defendant used the mark on its product or distributed such a product after the injunction was issued. Plaintiff simply has no evidence that anyone was able to buy Essence of Life Liquid Mineral Complex on March 15, 1999, the date that the web page was accessed.

Conclusion

On remand, in consideration of the Court of Appeals' ruling regarding an award of profits in absence of a showing of actual damages, the Court deletes Conclusion of Law No. 10, and reaffirms its findings of Fact and Conclusions of Law in all other respects, including the conclusion that an award of profits is not appropriate under these circumstances. The Court further finds that the Application for Contempt Citation (Docket #91) should be Denied In light of these findings, the Request for Status/Scheduling Conference (Docket # 87) and the Request for Status Conference and Additional Discovery on Defendant's Profits (Docket #99) of the Plaintiff, Estate of James S. Bishop, are Denied as Moot, and the Motion for Disqualification is Denied.

IT IS SO ORDERED THIS 22nd DAY OF SEPTEMBER,

1999.

/s/_____

JAMES O. ELLISON, SENIOR JUDGE
UNITED STATES DISTRICT COURT

APPENDIX D

UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT

No. 97-5161 & 97-5167

September 4, 1998, Filed

JAMES S. BISHOP, d/b/a Essence of Life,
Plaintiff-Appellant and Cross-Appellee,

v.

EQUINOX INTERNATIONAL CORP.,
a Nevada corporation,
Defendant - Appellee and Cross-Appellant.

Appeal from the United States District Court for the Northern District of Oklahoma.
D.C. No. 96-CV-6-E
D.C. Judge JAMES O. ELLISON

Before BALDOCK, BRORBY and LUCERO, Circuit Judges.

OPINION

LUCERO, Circuit Judge.

This appeal arises out of a trademark infringement and unfair competition action filed by James S. Bishop against Equinox International Corporation ("Equinox"), alleging a violation of section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). We consider for this Circuit whether an accounting of profits pursuant to 15 U.S.C. § 1117(a) requires proof of actual damages.

Following a bench trial, the district court concluded that a likelihood of confusion existed and enjoined Equinox from the use of Bishop's "Essence of Life" trademark. In addition, the district court determined that the circumstances of the case were exceptional, and awarded attorney fees to Bishop. Both parties are dissatisfied with the result. Bishop contends that he is entitled to an accounting of profits. Equinox, in contrast, asserts that Bishop abandoned his trademark and, alternatively, that the attorney fee award was an abuse of discretion. Because we conclude that an accounting of profits pursuant to § 1117(a) does not require a showing of actual damages, we reverse and remand.

I

James Bishop sells a product described as "a mineral electrolyte solution in both liquid and capsule form" under the name "Essence of Life." Appellant's App. at 37 (Dist. Ct.

Findings of Fact, P 5).[1] In 1988, Bishop registered this name with the United States Patent and Trademark Office ("PTO"). He subsequently filed an Affidavit of Continuing Use with that office pursuant to 15 U.S.C. § 1058(a).

In 1995, Bishop discovered that Equinox was marketing a dietary supplement under the name "Equinox Master Formula Essence of Life Liquid Mineral Complex." He informed Equinox that it was infringing on his trademark and requested that it cease and desist from further infringement. In response, Equinox's attorney informed Bishop that it had "decided to replace the phrase 'Essence of Life' on its Equinox Master Formulas product." Appellant's App. at 61.

Equinox, however, continued its use of the mark. Bishop filed suit seeking injunctive relief, damages, an accounting of profits, and attorney fees. The district court granted Bishop's application for a permanent injunction against use of its "Essence of Life" mark by Equinox, but, finding no actual damages, denied his request for monetary relief. The trial court also concluded that Equinox's refusal to honor its cease and desist commitment justified an award of attorney fees.

II

As an initial matter, we must determine whether, as Equinox claims, the district court erred in concluding that

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[1] Apparently, this product is intended "for use in humans, plants and animals." Appellant's App. at 38 (Dist. Ct. Findings of Fact, P 8).

Bishop had not abandoned his trademark. See 15 U.S.C. § 1115(b)(2) (stating that abandonment is a defense to trademark infringement action). Equinox does not challenge the district court's application of the law; rather, it contends that the court's findings of fact on this issue were clearly erroneous. We affirm the district court unless such findings are "without factual support in the record, or, although there is evidence to support [them], we are left after a review of the entire record with a definite and firm conviction that a mistake has been committed." In re Hamilton Creek Metro. Dist., 143 F.3d 1381, 1384 (10th Cir. 1998); see also Friedman v. Sealy, Inc., 274 F.2d 255, 257 (10th Cir. 1959) (applying clear error review to district court's determination of non-abandonment).

According to Equinox, the evidence at trial established that Bishop had not used his mark from "mid-1990 or 1991 until 1996." Appellee's Br. at 27; see 15 U.S.C. § 1127 ("Nonuse for 3 consecutive years shall be prima facie evidence of abandonment."). This is contrary to the district court's finding that, although Bishop's was a "small-scale... modest operation," the evidence of use precluded a determination of abandonment. Appellant's App. at 41 (Dist. Ct. Findings of Fact, P 22).

On our review of the record, we note that the testimony and written report of Equinox's expert witness establish that, during the period in question, Bishop sold for human consumption an average of 98 bottles of his product per year. See III Appellee's App. at 79; I id. at 120. Moreover, Equinox concedes that "Bishop never ceased sale of his product." Appellee's Br. at 28. We conclude that the district court's abandonment determination was not clearly

erroneous.

III

We turn to Bishop's claim that the district court erred when it determined that he was not entitled to an accounting of Equinox's profits. Monetary recovery for a violation of trademark rights is governed by 15 U.S.C. § 1117. Bishop argues that, pursuant to § 1117(a), he is entitled to the profits earned by Equinox from the infringement of his mark and that the trial court's statement of the applicable law is erroneous. [2] The district court concluded, "Plaintiff has not established

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[2] Section 1117(a) states:

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section 1125(a) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above

entitlement to any actual damages and is therefore not entitled to any portion of Defendant's profits." Appellant's App. at 44 (Dist. Ct. Conclusions of Law, P 10). We agree that this is an erroneous statement of law.

An accounting of profits is not automatically granted upon a showing of infringement. See Champion Spark Plug Co. v. Sanders, 331 U.S. 125, 131, 91 L. Ed. 1386, 67 S. Ct. 1136 (1947). Rather, the propriety of such relief is determined by equitable considerations. See id.; *15 U.S.C.* § *1117*(a) (entitlement to defendant's profits is "subject to the principles of equity"). Consequently, "the district court has wide discretion to fashion an appropriate remedy." BASF Corp. v. Old World Trading Co., 41 F.3d 1081, 1092 (7th Cir. 1994); see also 15 U.S.C. § 1117(a) ("If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case."). Absent an abuse of that discretion, we will not overturn the remedy imposed by the district court. See id.

Contrary to the rule applied by the district court, "the unavailability of actual damages as a remedy . . . does not preclude [plaintiff] from recovering an accounting of [defendant's] profits." International Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc., 80 F.3d 749, 753

> circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

15 U.S.C. § 1117(a).

(2d Cir. 1996). There are two widely recognized rationales for awarding profits to a plaintiff who cannot demonstrate that he or she has suffered damages as a consequence of the infringement: preventing unjust enrichment and deterring willful infringement.

A number of courts recognize that a trademark is a protected property right. See Maltina Corp. v. Cawy Bottling Co., 613 F.2d 582, 585 (5th Cir. 1980); Maier Brewing Co. v. Fleischmann Distilling Corp., 390 F.2d 117, 121 (9th Cir. 1968). The infringer's use of the markholder's property to make a profit results in unjust enrichment that may properly be remedied through an award of profits, "even if the defendant and plaintiff are not in direct competition." Maltina Corp., 613 F.2d at 585. But see George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532, 1537-38 (2d Cir. 1992) (analyzing theory of unjust enrichment and concluding that award of profits under this theory requires proof of actual consumer confusion or willfully deceptive infringement). This theory of unjust enrichment has long been the rule in this Circuit. In Blue Bell Co. v. Frontier Refining Co., 213 F.2d 354 (10th Cir. 1954), we stated:

> Out of the welter of confusion occasioned by the judicial effort to fashion a remedy which would satisfy both legal and equitable concepts of appropriate relief for patent and trade-mark infringements, the courts have now settled on the theory that a trade-mark infringer is liable as a trustee for profits accruing from his illegal acts, even through the owner of the mark was not doing business in the consuming market where the infringement occurred.

213 F.2d at 362-63.

Additionally, several of our sister circuits have recognized that an award of profits may be proper, absent a showing of actual damage, as a deterrent to willful infringement. See, e.g., George Basch Co., 968 F.2d at 1539-40 (requiring proof of willfully deceptive infringement); Burger King Corp. v. Mason, 855 F.2d 779, 781 (11th Cir. 1988) (requiring proof of deliberate infringement); Playboy Enters., Inc. v. Baccarat Clothing Co., 692 F.2d 1272, 1274-75 (9th Cir. 1982) (requiring proof of deliberate infringement).

Notwithstanding the existence of these theories of recovery, we recognize that a finding of actual damage remains an important factor in determining whether an award of profits is appropriate. See George Basch Co., 968 F.2d at 1539, 1541; Texas Pig Stands, Inc. v. Hard Rock Cafe Int'l, Inc., 951 F.2d 684, 695 (5th Cir. 1992). More importantly, we are mindful that an award of profits requires a showing that defendant's actions were willful or in bad faith. See Tommy Hilfiger, 80 F.3d at 753; ALPO Petfoods, Inc. v. Ralston Purina Co., 286 U.S. App. D.C. 192, 913 F.2d 958, 968 (D.C. Cir. 1990); Bandag, Inc. v. Al Bolser's Tire Stores, Inc., 750 F.2d 903, 921 (Fed. Cir. 1984); see also Restatement (Third) of Unfair Competition § 37(1)(a) (1995) (premising award of profits on showing that "the actor engaged in the conduct with the intention of causing confusion or deception"). Requiring a showing of willfulness before profits are awarded is an appropriate limitation in light of the equitable considerations underlying the monetary recovery provisions of the Lanham Act. As the court in George Basch Co. stated:

> While damages directly measure the plaintiff's loss, defendant's profits measure the defendant's gain. Thus, an accounting may overcompensate for a plaintiff's actual injury and create a windfall judgment at the defendant's expense.

968 F.2d at 1540; see also ALPO Petfoods, Inc., 913 F.2d at 969 (concluding that "deterrence is too weak and too easily invoked a justification for the severe and often cumbersome remedy of a profits award," and therefore "deterrence alone cannot justify such an award").

The trial court's conclusion that absent a showing of actual damages an award of profits was unavailable is necessarily an abuse of discretion. See Frontier Refining Inc. v. Gorman-Rupp Co., 136 F.3d 695, 704 (10th Cir. 1998) (noting that a conclusion that is faulty as a matter of law constitutes an abuse of discretion). We must therefore inquire whether application of the correct standard would have led to a similar result. The findings of fact recite that Equinox may have acted with the degree of willfulness necessary for an award of profits. The lower court concluded: "Defendant's failure to honor its attorneys' cease and desist commitment constituted a trademark infringement which was deliberate or willful." Appellant's App. at 40 (Dist. Ct. Findings of Fact, P 19). It also implied that Equinox's actions may have been motivated by "the economic weakness of the Plaintiff." Id. at 41 (Dist. Ct. Findings of Fact, P 20); cf. Tommy Hilfiger, 80 F.3d at 754 (concluding that defendant's continued use of trademark "betting on the fact that [plaintiff] would not prevail in its suit" amounted to bad faith); Stuart v. Collins, 489 F. Supp. 827, 831-32 (S.D.N.Y. 1980) (finding that

defendant willfully infringed by continuing to use mark after plaintiff's demand that it cease, giving "short shrift to plaintiff's claim out of arrogance and confidence that he would not mount any significant legal attack").

Given these factual findings, none of which we find clearly erroneous on the record before us, we cannot say with any certainty that the district court, applying the correct legal standard, would impose an identical award. We are therefore required to remand to the district court for a determination of whether an award of profits is appropriate under the circumstances of this case.[3]

IV

We are also asked by Equinox to reverse the district court's award of attorney fees. Our review is for abuse of discretion. See Harris v. Champion, 15 F.3d 1538, 1573 (10th Cir.1994). "Underlying factual findings will only be upset when clearly erroneous. However, a district court's statutory interpretation or legal analysis which provides the basis for the fee award is reviewable de novo." Id. (quoting Homeward Bound, Inc. v. Hissom Memorial Ctr., 963 F.2d 1352, 1355 (10th Cir. 1992).

The Lanham Act provides that "the court in exceptional cases may award reasonable attorney fees to the prevailing party." 15 U.S.C. § 1117(a). This court has

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[3] In remanding, we express no opinion as to what, if any, award of profits might be appropriate. We note only that the award of monetary relief pursuant to 15 U.S.C. § 1117 is subject to equitable considerations.

interpreted an "exceptional case" as "one in which the trademark infringement can be characterized as 'malicious,' fraudulent,' 'deliberate,' or 'willful.'" VIP Foods, Inc. v. Vulcan Pet, Inc., 675 F.2d 1106, 1107 (10th Cir. 1982) (quoting S. Rep. No. 93-1400 (1974), reprinted in 1974 U.S.C.C.A.N. 7132, 7133). Although an absence of actual damages is a factor in determining whether a case is exceptional, see id. at 1107, such absence does not preclude a fee award, see Post Office v. Portec, Inc., 913 F.2d 802, 812 (10th Cir. 1990), vacated on other grounds, 499 U.S. 915, 111 S. Ct. 1299, 113 L. Ed. 2d 235 (1991).

The district court found Equinox's infringement of Bishop's mark to be "deliberate or willful." Appellant's App. at 40 (Dist. Ct. Findings of Fact, P 19). This conclusion was based on Equinox's failure to cease and desist from use of the "Essence of Life" mark despite its written commitment to do so. The court found that Equinox's decision to continue using the mark was not based on a reasonable belief that Bishop had abandoned the mark, but was instead premised on the relative economic weakness of Bishop's operation. After reviewing the record, we are not left with "a definite and firm conviction that a mistake has been committed." In re Hamilton Creek Metro. Dist., 143 F.3d at 1384. We accordingly decline to reverse the attorney fee award.

V

We do not readily reverse and remand a district court's award of monetary relief for trademark infringement. We recognize that trial courts are granted wide discretion in fashioning an equitable remedy pursuant to 15 U.S.C. § 1117. In this case, however, we are concerned that the district

court may have erroneously limited its discretion by applying an improper legal standard. We therefore REVERSE the denial of an award of profits and **REMAND** so that the district court, consistent with this opinion, may fashion a remedy that "will satisfy the equities of the case." Champion Spark Plug, 331 U.S. at 131. We **AFFIRM** the district court's determination that Bishop did not abandon his trademark, as well as the award of attorney fees.

APPENDIX E

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF OKLAHOMA

Case No. 96-C-006-E

Filed: September 22, 1999

ESTATE OF JAMES S. BISHOP, formerly, JAMES S. BISHOP, d/b/a ESSENCE OF LIFE,
Plaintiff,

vs.

EQUINOX INTERNATIONAL CORPORATION,
Defendant.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Court upon consideration of the evidence presented at trial, together with all pleadings, and the parties' proposed Findings of Fact and Conclusions of Law including briefs submitted post-trial, enters its Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. Plaintiff, James S. Bishop, d/b/a Essence of Life, brings this action against Equinox International Corporation, Defendant, for federal and common-law trademark infringement, federal and common-law unfair competition, and violation of the Oklahoma Deceptive Trade Practices Act.

2. Plaintiff owns federal "registration' number 1,504,568" and common-law rights in and to the "Essence of Life" trademark used in conjunction with mineral electrolyte solutions in both liquid and capsule form.

3. The Defendant markets and sells a liquid mineral complex named "Essence of Life Liquid Mineral Complex" which complex is one among nineteen Products in its Equinox Master Formula's line of products.

4. The Defendant has filed a counter-claim against Plaintiff for cancellation of Plaintiff's United States trademark registration number 1,504,568. The Defendant's counterclaim urges that:

   (1) Plaintiff is *not* using, nor did he ever use, his registered mark on one or more of the goods recited in the registration in interstate commerce;

and

(2) in the event the registered mark was used in interstate commerce, such use has *been* abandoned; and

(3) that with knowledge of such non-use or abandonment the Plaintiff fraudulently signed a declaration attesting that the mark was in use in interstate commerce on all goods cited in the registration and that such attestation was an intentional and knowing misrepresentation of the facts and constituted a false declaration to the U.S. Patent and Trademark Office amounting to a fraudulent attempt to maintain Plaintiff's registration.

5. Plaintiff commenced selling a product under the name "Essence of Life" in 1985. The product was a mineral electrolyte solution in both liquid and capsule form. Plaintiff filed a trademark application on February 5, 1988 in the U.S. Patent and Trademark Office (PTO), serial number 73/709,508. The application claimed a date of first use of October 1, 1985, for "mineral electrolyte solution in liquid and capsule form" in International Class No. 5. Publication for the purpose of opposition was made in the official Gazette of the United States Patent and Trademark Office on June 28, 1988. Federal Trademark Registration No.

1,504,568 was issued on September 20, 1988.

6. Upon receipt of the Federal Trademark Registration Plaintiff placed a © on each of his labels and has continued to do so to the present.

7. In 1994, prior to September 20, 1994, Plaintiff filed a "Section S and 15" Affidavit of Continuing Use as provided by Title 15 U.S.C. § § 1058 and 1065. The Affidavit was accepted by the Patent and Trademark Office on October 23, 1995.

8. Plaintiff's product bearing the trademark "Essence of Life" is sold for use in humans, plants and animals.

9. From 1985 until 1986 Plaintiff sold his product wholesale to vendors who then sold the product directly to the public. In 1986 until the end of 1989, Bishop sold his product wholesale to distributors who then distributed the product to vendors who sold directly to the public. From the end of 1989 to mid-1991, Plaintiff sold his products primarily to wholesale vendors who would sell directly to the public. From the end of 1989 until 1991 Plaintiff had only one distributor, Sun West, who continued to channel products to the public through its vendors. The Plaintiff began in mid-1991 selling the product directly to the public on a retail basis from his office in his

home in Jenks, Oklahoma.

10. Defendant Equinox was organized in 1991 and sells over 400 products which are health-related through a network of independent sales representatives throughout the United States and Mexico. It employs over 300 people with gross sales for 1996 just under $195 million dollars.

11. The Defendant sells a liquid mineral complex under the name Equinox Master Formula Essence of Life Liquid Mineral Complex. It sells wholesale to its independent sales representatives who then sell retail to the public.

12. The Defendant's expert, Dr. Howard, testified as an expert in marketing and consumer behavior and in consumer decision making.

13. Dr. Howard testified that because of the significant differences in the means of distribution of Equinox's Master Formula Essence of Life Liquid Mineral Complex and Plaintiff's Essence of Life products, there was a minimum likelihood of consumer confusion between the two products.

14. Regardless of the difference in size of their operations Plaintiff's being a marginal or small-scale operation and Defendant being a well-financed, sophisticated distribution

system, the fact that Plaintiff's mineral electrolyte solution in liquid and capsule form designated "Essence of Life" is positioned against a liquid mineral complex which Defendant calls "Essence of Life Liquid Mineral Complex" does create a likelihood of confusion since both marks use identical language to sell a nearly identical product.

15. In January 1995 the Plaintiff became aware the Defendant Equinox was using an "Essence of Life" mark for its product that was called "Liquid Mineral Complex."

16. Plaintiff's attorney, James R. Head, on February 22, 1995 demanded that Defendant cease and desist from the use of his registered "Essence of Life" trademark.

17. Defendant's attorney, Jeffrey Van Hoosear, by letter dated June 1, 1995, advised Plaintiff that Equinox cease and desist from use of the trademark "Essence of Life".

18. Defendant did not honor its cease and desist commitment but in fact continued to use the trademark "Essence of Life".

19. Defendant's failure to honor its attorneys' cease and desist commitment constituted a trademark infringement which was deliberate or willful.

20. The report received by the investigator of the Defendant was not sufficient to justify a theory of abandonment but was sufficient to persuade Defendant of the economic weakness of the Plaintiff.

21. The Court finds that this is an exceptional case which entitles Plaintiff to attorneys' fees.

22. Although Plaintiff's use has been that of a small-scale or modest operation there has been no factual establishment by the evidence of any abandonment of Plaintiff's trademark. The evidence failed to develop non-use of the trademark by Plaintiff for any significant period of time nor proof of any intent to abandon Plaintiff's trademark.

23. The evidence fails to establish that Plaintiff suffered any lost sales, damage to good will or any actual damage of any kind.

24. Any Finding of Fact which should more appropriately be considered as a Conclusion of Law will be considered as such.

CONCLUSIONS OF LAW

1. The Lanham Trademark Act, 15 U.S.C. § 1051 et. seq. and 28 U.S.C. § 1337(a) confer jurisdiction on this Court over Plaintiff's causes of action for trademark infringement and unfair competition.

2. This Court has Jurisdiction over Plaintiff's cause of action under the Oklahoma Deceptive Trade Practices Act, 0.S. 78 §51 et seq. (1981) by reason of principles of pendant jurisdiction. 28 U.S.C. §1338(b).

3. 15 U.S.C. §1127 defines "use in commerce" as the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a mark. ... A mark shall be deemed to be abandoned ... when its use has been discontinued with intent not to resume such use ... Nonuse for three consecutive years shall be prima facie evidence of abandonment."

4. Plaintiff within five years after the issuance of his federal trademark registration, filed his Affidavit of Continued Use. The five year Affidavit of Continued Use was accepted by the PTO. Plaintiff's United States Trademark Registration No. 1,504,568 is now incontestible. 15 U.S.C. §1065, 37 C.F.R. §2.167. Beer Nuts, Inc. v. Clover Club Foods Co., 805 F.2d 920, 925 (10th Cir. 1986).

5. Restatement of Torts §729 (1938) includes the following factors in considering the likelihood of confusion:

   (a) the degree of similarity between the respective designations, including a comparison of:

(i) the overall impression created by the designations as they are used in market/rig the respective goods or services in identifying the respective businesses;

(ii) the pronunciation of the designations;

(iii) the translation of any foreign words contained in the designations;

(iv) the verbal translation of any pictures, illustrations, or designs contained in the designations;

(v) the suggestions, connotations, or meanings of the designations;

(b) the degree of similarity in the marketing methods and channels of distribution used for the respective goods or services;

(c) the characteristics of the prospective purchasers of the goods or services and the degree of care they are likely to exercise in making purchasing decisions; the degree of distinctiveness of the other's designation;

(d) the degree of distinctiveness of the other's designation;

(e) when the goods, services, or business of the actor differ in kind from those of the other, the likelihood that the actor's prospective purchasers would expect a person in the position of the other to expand its marketing or sponsorship into the product, service, or busings market of the actor;

(f) when the actor and the other sell their goods or services or carry on their businesses in different geographic markets, the extent to which the other's designation is identified with the other in the geographic market of the actor.

6. Plaintiff must prove that he has been damaged by actual consumer confusion or deception in order to recover damages. Brunswick Corp. v. Spinit Reel Co., 832 F.2d (10th Cir. 1987).

7. Here Plaintiff's claim for damages fails because there has been no credible evidence of actual consumer confusion or deception, nor proof of any lost sales or loss of goodwill. Barr v. Sasser, 24 OSP02d 1942, 1946 (N.D. Okla. 1992) citing Shell Oil Co. v. Commercial Petroleum, 928 F.2d 104, 108 (4th Cir. 1991).

8. It would be inappropriate to award Plaintiff Defendant's profits where Plaintiff's mark is weak and it is clear that Defendant did not benefit from the Plaintiff's relatively obscure

mark. Lindy Pen Company v. Bic Pen Corp., 952 F.2d 1400 (9th Cir. 1993).

9. There must an actual showing of consumer confusion in order to grant a profits award based upon a theory of unjust enrichment. George Basch Co., Inc. v. Blue Coral, Inc., 968 F.2d 1532, 1538 (2nd Cir. 1992).

10. Plaintiff has not established entitlement to any actual damage and is therefore not entitled to any portion of Defendant's profits. V.I.P. Foods, Inc. v. Vulcan Pet., Inc., 210 USPQ 662, 668 (N.D. Okla. 1980).

11. The Court in exceptional cases may award reasonable attorney fees to the prevailing party. 15 U.S.C. § 1117(a). An exceptional case has been defined within the Tenth Circuit as being "One in which the trademark infringement can be characterized as 'malicious', 'fraudulent', 'deliberate' or 'willful. '" Brunswick Corp. v. Spinit Reel Co., 832 F.2d 513, 528 (10th Cir. 1987). The Court finds that exceptional circumstances in this case warrant an award of reasonable attorney fees.

12. In considering the issue of injunction the Court must balance the equities and in so doing the Court will allow the Defendant to market its available supply of articles marked with the trademark of "Essence of Life Liquid Mineral

Complex". No further marking will be made on Defendant's product subsequent to this date. W.E. Bassett Co. v. Revlon, Inc., 354 F.2d 868 (2nd Cir. 1966). The Defendant Equinox International Corporation is enjoined from further distribution of its products carrying the mark "Essence of Life Liquid Mineral Complex".

13. Any Conclusion of Law which more appropriately constitute Findings of Fact shall be treated as such.

ORDERED this 21st day of July, 1997.

JAMES O. ELLISON, Senior Judge
UNITED STATES DISTRICT COURT

APPENDIX F

CURRENT STATUTORY AUTHORITY

Title 15 Section 1117(a) is quoted, in pertinent part as follows:

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section 1125(a) of this title, shall have been established in any civil action arising under this chapter, the Plaintiff shall be entitled... subject to the principles of equity, to recover (l) Defendant's profits, (2) any damages sustained by the Plaintiff, and (3) costs of the action... In assessing profits, the Plaintiff shall be required to prove Defndant's sales only; Defendant must prove all elements of costs or deduction claimed.

STATUTORY AUTHORITY IN EFFECT AT THE TIME OF HAMILTON-BROWN SHOE CO. V. WOLF BROS & CO., 240 U. S. 251 (1916)

Trademark Act of February 20, 1905, Sec. 19

That the several courts vested with jurisdiction of cases arising under the present act shall have power to grant injunctions, according to the course and principles of equity, to prevent the violation of any right of the owner of the trade-mark registered under this act, on such terms as the court may deem reasonable; and upon a decree being rendered in any such case for wrongful use of a trade-mark the complainant shall be entitled to recover, in addition to the profits to be

accounted for by the Defendant, the damages the complainant has sustained thereby, and the court shall assess the same or cause the same to be assessed under its direction. The court shall have the same power to increase such damages, in it discretion, as is given by section sixteen of this act for increasing damages found by verdict in actions of law; and in assessing profits the Plaintiff shall be required to prove Defendant's sales only; Defendant must prove all elements of costs which are claimed.

APPENDIX G

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHEN DISTRICT OF OKLAHOMA

TRANSCRIPT OF PROCEEDINGS

Case No. 96-C-006-E

March 25, 1997

Testimony of Jeffrey Van Hoosear for the defendants

* * *

[321]

Q. Suppose it was $100 per year for each of five years. Would that be enough?

A. It depends upon the circumstances of what it is.

Q. Suppose it was $1,000 a year for five years. Would that be different?

A. It still depends upon the circumstances.

Q. What are the circumstances?

A. I mean, if it's a pack of chewing gum and you're making one sale a year, I don't think that's commercial use. I don't think that's enough to file a Section 8 affidavit. If it's one

machinery that costs half a million dollars and you're selling one a year, that's sufficient enough, if that's what the market industry shows.

Q. Okay. Suppose it's a bottle that goes for $8.00 a quart. How many would he have to sell per year to qualify?

A. I would base it on what the client told me was normal for the industry.

Q. If he sells $2,000 worth a year at $8.00 a quart, is that enough to qualify?

A. I would probably say that's enough to qualify.

Q. Isn't that, in fact, what you show that Mr. Bishop has done?

A. If that's what it shows, that's what it shows.

Q. Do you believe that there's any value to Equinox in the use of the mark Essence of Life?

[322]

A. Do I believe there's any value?

Q. Yes.

A. What do you mean by value?

Q. You don't have any idea what I mean by value?

A. There are several different meanings to the term value.

Q. Is there any benefit to them for using the mark of Essence of Life?

A. There's a benefit because they're already using that.

Q. Is there a benefit to them to continue using it?

A. Meaning that they wouldn't have to change any of their labels or their advertising and marketing information, yes.

Q. And it would be a disadvantage for them to discontinue using it; is that right?

A. I'm not sure about that. That would have to be a question they'd have to answer.

Q. Now, is it true, Mr. Van Hoosear, that in addition to filing a counterclaim in this case for cancellation of the trademark, that you also filed an action in the patent and trademark office petitioning that Mr. Bishop's trademark be cancelled?

A. That's correct.

Q. Could you tell the Court what the status of that cancellation proceeding is?

A. It's no longer proceeding.

Q. Why is that?

* * *

Supreme Court, U.S.
FILED
DEC 28 2001
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(2)

No. 01-818

In the Supreme Court of the United States

ESTATE OF JAMES S. BISHOP,
Petitioner,

v.

EQUINOX INTERNATIONAL CORP.,
Respondent.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE TENTH CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

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TABLE OF CONTENTS

TABLE OF CONTENTS i

TABLE OF AUTHORITIES ii

COUNTER-STATEMENT OF THE CASE 1

REASONS FOR DENYING THE WRIT 3

I. THERE IS NO CONFLICT AMONG THE CIRCUITS AND THE DECISION BELOW DOES NOT PRESENT A CONFLICT. 3

II. THIS CASE IS LIMITED TO ITS FACTS. 4

III. THE DECISION BELOW WAS CORRECT. 5

CONCLUSION 6

TABLE OF AUTHORITIES

Cases

United States v. Johnston,
268 U.S. 220 (1925) 4

Watt v. Alaska,
451 U.S. 259 (1981) (*Stevens, J., concurring*) . . 4

Other

Restatement (Third) of Unfair Competition,
§ 37(1)(a) (1995) 2

COUNTER-STATEMENT OF THE CASE

This is an action for trademark infringement wherein the petitioner and plaintiff below, Estate of James S. Bishop, formerly James S. Bishop d/b/a Essence of Life ("Bishop") claimed that the respondent and defendant below, Equinox International Corporation ("Equinox") infringed Bishop's trademark "Essence of Life". After a bench trial, the District Court found that Equinox infringed Bishop's trademark, denied Bishop damages as he failed to put on any proof of any actual damage of any kind, denied an award of any of Equinox's profits to Bishop, but awarded Bishop attorney's fees and entered an injunction prohibiting Equinox from marketing its product with the infringing trademark. (Petitioner's Appendix "Pet. App." E).

Bishop appealed the denial of an award of any of Equinox's profits to him, and the United States Court of Appeals for the Tenth Circuit determined that the District Court's conclusion that absent a showing of actual damages an award of profits was unavailable constituted an abuse of discretion. (Pet. App. D at 43a). The Tenth Circuit remanded the case to the District Court "for a determination of whether an award of profits is appropriate under the circumstances of this case." (Pet. App. D at 44a). The Tenth Circuit specifically expressed no opinion as to what, if any, award of profits might be appropriate, noting only that the award of monetary relief is subject to equitable considerations. (Pet. App. D at 44a, n. 3).

On remand, Bishop argued that he should be entitled to some of Equinox's profits because the trademark infringement by Equinox was deliberate. However, Equinox argued that there should not be an award of any profits to Bishop because Equinox did not intend to confuse the public

as to the origin of the product in question, there was no actual consumer confusion or deception, and the District Court found that Bishop's mark was weak and that Equinox did not benefit from the use of Bishop's relatively obscure mark. The District Court rejected Equinox's argument that the *Restatement (Third) of Unfair Competition*, § 37(1)(a) (1995) conditions an award of profits on a showing that the defendant had the intention of causing confusion or deception, thus automatically precluding Bishop from being awarded any of Equinox's profits. (Pet. App. C at 31a). Instead, the District Court considered "all the equities in the case anew" and made a determination on the applicability of an award of profits. *Id.*

The District Court held that:

> In considering all of the equities in this case, the relative weakness of the mark, the lack of consumer confusion or deception, and that Equinox did not benefit from Bishop's mark, the court rejects, as it did in the original findings, the notion that prevention of unjust enrichment is a sufficient rationale for awarding profits. In particular, the court found that defendant did not benefit from plaintiff's "relatively obscure" mark. Further, assuming that profits can be awarded in this circuit as a deterrent to wilful infringement, the court finds that when weighing the equities, particularly that the bad faith was found in defendant's failure to honor the cease and desist agreement, the award of attorney's fees is a sufficient deterrent under the circumstances.

(Pet. App. C at 31a - 32a).

Thus, the District Court denied an award of any of Equinox's profits to Bishop after considering all of the equities and facts and circumstances of this case, and reviewing both rationales of unjust enrichment and deterrence.

REASONS FOR DENYING THE WRIT

I. THERE IS NO CONFLICT AMONG THE CIRCUITS AND THE DECISION BELOW DOES NOT PRESENT A CONFLICT.

Bishop erroneously concludes that the two widely recognized rationales for awarding profits noted by the Tenth Circuit are conditions precedent, rather than separate rationales. The rationale of deterrence is not a limitation on the unjust enrichment theory, but rather a separate rationale by which the District Court might have awarded Bishop some of Equinox's profits. Although deterrence was not officially adopted by the Tenth Circuit, the District Court considered an award of Equinox's profits to Bishop under both the unjust enrichment theory and separately under the theory of deterrence, giving Bishop two bites at the apple. (Pet. App. C at 31a - 32a).

There is no conflict among the circuits. The Tenth Circuit did not limit Bishop's unjust enrichment theory, but rather expanded it by also suggesting to the District Court that it consider a separate, additional rationale of deterrence. (Pet. App. D at 41a). The District Court complied, and held that Bishop was not entitled to any of Equinox's profits under either theory. (Pet. App. C at 31a - 32a).

II. THIS CASE IS LIMITED TO ITS FACTS.

As noted by Bishop in his Petition, and as by the Tenth Circuit in its remand, whether an award of profits is appropriate is determined under the particular facts and circumstances of each case subject to the principles of equity. (Pet. App. D at 40a and 44a, n. 3). There is no legal issue presented by this case. Bishop simply seeks to establish that the District Court abused its discretion in determining, under all the facts and circumstances and equities of this case, that an award of attorney's fees and a permanent injunction were sufficient remedies for Bishop.

Bishop comes to this Court seeking a review of the facts of the case for what he claims is an abuse of discretion by the District Court. But, as this Court has long held, it "do[es] not grant a certiorari to review evidence and discuss particular facts," *United States v. Johnston*, 268 U.S. 220, 227 (1925), for its "certiorari jurisdiction is designed to serve purposes broader than the correction of error in particular cases." *Watt v. Alaska*, 451 U.S. 259, 275 (1981) (*Stevens, J., concurring*). This case is a singularly inappropriate vehicle for consideration by this Court.

III. THE DECISION BELOW WAS CORRECT.

Even though Bishop merely seeks to correct an alleged abuse of discretion by the District Court, which is not the function of this Court's certiorari jurisdiction, there is no basis here for review in any event because the District Court correctly exercised its discretion in refusing to award Bishop any of Equinox's profits. Bishop erroneously argues that there was no finding that his mark was weak or obscure, and that there was no finding of a lack of benefit in the use of the mark by Equinox; but, then provides the quotation from the District Court's Order of September 22, 1999 which specifically finds that Bishop's mark was weak, and that Equinox did not benefit from his relatively obscure mark. (Pet. at 18-19.) Bishop also disingenuously argues that the District Court found that Equinox's mark created a likelihood of confusion (which is an element that must be found in order to find in Bishop's favor on trademark infringement), but ignores the distinction that the District Court found that there was a lack of actual consumer confusion or deception. (Pet. App. E at 52a, #14 and 56a, #7).

Bishop again then complains that Judge Ellison considered deterrence as a potential rationale for an award of Equinox's profits to Bishop, mis-perceiving deterrence to be a condition precedent, rather than a separate rationale that was reviewed in Bishop's favor.

Bishop adopts the dissent below, complaining that Equinox took Bishop's property as represented by the trademark and "apparently utilized this property to make a profit". (Pet. App. B at 22a). However, this erroneously ignores the District Court's specific factual finding that there was no actual consumer confusion or deception and that

"Equinox did not benefit from Bishop's mark." (Pet. App. C at 31a). The simple fact is that none of the consumers who purchased Equinox's product had ever heard of Bishop or his obscure trademark.

CONCLUSION

The Petition should be denied.

Respectfully submitted,

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No. 01-818

In the Supreme Court of the United States

ESTATE OF JAMES S. BISHOP,
Petitioner,

v.

EQUINOX INTERNATIONAL CORP.,
Respondent.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE TENTH CIRCUIT

REPLY TO BRIEF IN OPPOSITION

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TABLE OF CONTENTS

Table of Contents i

Table of Authorities ii

Reasons for Granting the Writ 1

I. There is a conflict among the circuits and the decision below underscores such a conflict 1

II. The decision below was incorrect 3

Conclusion 3

TABLE OF AUTHORITIES

Rules of the Supreme Court

Rule 15 (6) 1

REPLY

This Brief is in reply to the RESPONDENT'S BRIEF IN OPPOSITION based upon new points raised therein as authorized by Rule 15 (6) of the Rules of the Supreme Court of the United States.

REASONS FOR GRANTING THE WRIT

I. There is a conflict among the circuits and the decision below underscores such a conflict

On page 3 of Respondent's Brief, it is stated "The rationale of deterrence is not a limitation on the unjust enrichment theory - - -." However, as applied in the decision below it is a limitation and constitutes a condition precedent (in this particular case). That a court or judge could make such an improper combination of the two rationales, emphasizes the need to resolve the conflict. The argument that Bishop gets "two bites at the apple" (Page 3 of Respondents Brief) is wrong. In fact Bishop has to overcome two hurdles in succession.

In the Order of September 22, 1999 Judge Ellison ruled:

> In considering all of the equities in this case, the relative weakness of the mark, the lack of consumer confusion or deception, and that Equinox did not benefit from Bishop's mark, the court rejects, as it did in the original finding, the notion that prevention of unjust enrichment is a sufficient rationale for awarding profits. In particular, the Court

> found that Defendant did not benefit from Plaintiff's "relatively obscure" mark. Further, assuming that profits can be awarded in this circuit as a deterrence to willful infringement, the Court finds that when weighing the equities, particularly that bad faith was found in Defendant's failure to honor the cease and desist agreement, the award of attorney fees is a sufficient deterrent under these circumstances. (Pet. App. C 31a)

Separating the unjust enrichment portion from the deterrence portion in the above quote, Judge Ellison first stated that "the court rejects - - - the notion that the prevention of unjust enrichment is a sufficient rationale for awarding profits."[1] Then Judge Ellison concluded, secondly, that "the award of attorney fees is a sufficient deterrent under these circumstances." Obviously, if Bishop could have convinced Judge Ellison that he was entitled to profits under the theory of unjust enrichment, he would still have to convince the judge that such profits were necessary, in addition to the attorney fees awarded, to deter future infringement. Clearly, this is not what the Tenth Circuit had in mind when it stated in the first decision: "This theory of unjust enrichment has long been the rule in thus Circuit." (Pet. App. D at 41a)

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[1] Judge Blalock, in his dissent (Pet. App. B at 21a) commented that this statement by itself is an incorrect statement of the law.

II. The decision below was incorrect

In the recently submitted opposition brief, Respondent argued (Respondent's Brief in Opposition at 5) that Bishop mis-perceived "deterrence to be a condition precedent." As pointed out above, Judge Ellison did, in fact, make deterrence a condition precedent. Establishing a right to the infringer's profits under the rationale of unjust enrichment is the first hurdle for Bishop to overcome. Showing that the award of such profits is necessary to deter the infringer is a second hurdle for Bishop to overcome.

CONCLUSION

The Petition should be granted.

Respectfully submitted,

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